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# Current History

JULY, 1960

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### WORLD FEDERALISM AND FREE WORLD SECURITY

August, 1960

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# Current History

Vol. 39

JULY, 1960

No. 227

*What role will economic issues play in determining the outcome of the presidential elections? Here, seven specialists will discuss this question and many others. Our introductory article on the economics of defense spending sounds an ominous note for Americans who want to reduce military appropriations: "The budget is not simply a fetish, but an instrument of policy which must inevitably encompass military expenditures." "A more effective military establishment will not . . . be obtained without greater expenditures. . . ."*

## The Budget and National Security

By JAMES R. SCHLESINGER

*Associate Professor of Economics, University of Virginia*

THE stated budgetary objective of the Eisenhower administration, in contrast to the Truman administration, has been retrenchment. This goal reflects certain underlying beliefs about the nature of our society and economy which have been given expression, more or less, in the economic policies of the last seven years. In general, the administration has argued that private citizens and associations are better judges of their interests than is the government, and that the government should not do for the public what it can do for itself. Excessive spending, it is argued, is "dangerous" for a free economy and a free society since it undermines self-reliance and requires tax levels which blunt incentives, both of which are necessary for progress.

Whatever the merits of its philosophical position, it is plain that the administration has been far more successful in attaining its goal of retrenchment in military spending than in non-military spending. In view of its decision to hold down the budget totals, military spending has in fact been treated as a *residual* which could be squeezed as spending for non-military purposes rose. Total expenditures have risen some 10 per cent since the last Truman budget. Military

spending, however, was cut sharply from the \$44 billion level reached in fiscal 1953, and even its recent rise to \$41 billion leaves it somewhat below the earlier peak, despite a sizeable intervening increase in the cost of military goods and services. The proportion of G.N.P. devoted to military purposes has fallen substantially, from 13 per cent to 8 per cent. Although it may appear paradoxical, the administration has contended that the lower level of military spending may actually have contributed to national security, because essential to the latter is a strong and growing economy which had been threatened by the previous level of spending. The characteristics of the administration's defense policies, which reflect its budgetary policies, may be put quite simply: 1) the reduction of military manpower, particularly the armed forces overseas, 2) the stretching-out of procurement, and 3) increased reliance upon nuclear weapons associated with the decline of our conventional military establishment and reflected in the strategic doctrine of massive retaliation and its later modification, graduated deterrence.

Needless to say, these policies have been subject to continual protest since the inauguration of the New Look in 1954. Some



critics have contended simply that our international position requires additional military spending. Other critics have gone beyond this point and seemingly object on principle to the notion that military spending be subject to budgetary considerations at all. There is a view abroad that military policy can be formulated without regard to budgetary limits and that the administration has arbitrarily introduced such limits into an area in which they ought not apply. Thus critics argue not that the budgetary limits should be wider, but that the administration has sacrificed our defense establishment on the altar of the *balanced* budget. Such statements have led to the setting up of false antitheses such as "military security vs. a balanced budget."

Both the position of the administration and the position of its dramatic critics in the present controversy reflect the more traditional attitudes of the American democracy toward war and peace. In the United States a fundamental antithesis has existed between our attitudes toward the military budget in peace and war, an antithesis made possible in the past by our isolation, by the slow buildup of threats and the more time-consuming military technology of an earlier day. In peacetime, "normalcy" prevailed. The "nonproductive" military establishment, representing only a drain on our resources, was starved. The meager appropriations necessary to maintain skeleton establishments were given grudgingly. In wartime, on the other hand, conditions changed abruptly. For the brief period necessary to suppress the abnormal threat to our security, limits were removed; the military was able to spend whatever it desired virtually without consideration as to the cost.

These then represented two poles between which American attitudes have oscillated. On the one hand, military expenditures are viewed as a drain on resources, potentially debilitating. On the other hand, military expenditures to deal with an external menace are viewed as not subject to cost considerations—a "total" response to an external threat is desirable. It is plain, to this writer at least, that the administration has tended toward the former pole, regarding additional military expenditures as unduly burdensome, while the administration's more extreme critics have tended toward the latter pole,

implying that military security can be attained if we renounce our budgetary fetishes.

### A Continuing Threat

The world has changed, however, and neither attitude is appropriate in the present context. Instead of being a relatively isolated power faced with transitory threats to our security, we are now the dominant power in the West perennially faced by a foe equipped with a military technology which can do vast damage to us within a matter of hours. Total security is no longer possible for us. Faced by a persistent threat, we must annually determine what proportion of our resources we shall allocate to deal with that threat and what proportion to our normal, non-strategic activities.

Inevitably therefore the defense budget becomes a *political* decision. Moreover, we are faced by a wide variety of possible threats—nuclear warfare, nuclear blackmail, limited warfare, political erosion, maritime threats and so forth. Each threat can be counteracted to some degree, but the more resources devoted to one type of threat the less will be available to deal with other types of threats. We must select those threats which we intend to counter. Once again total security, security against *all* types of reverses, is impossible to attain. We must determine the allocation of resources to meet the various types of threats and this allocation will reflect, in fact will almost be, the national strategy. Once again this will be a political decision.

It has become a commonplace which verges on triteness to observe that the nation's military policy has been subject to a budget constraint. This is true enough; the point that is missed in the popular literature is that it must be. The public should come to realize the meaning of the budgetary constraint that lies at the root of all policy formation. The nation's resources are inadequate to achieve total security and to satisfy our domestic objectives. This implies that any government must reach a decision, based on its assessment of the international situation, with respect to how many domestic benefits it is willing to sacrifice at the margin in order to achieve a higher degree of security or, to put it another way, how much more insecurity we are willing to tolerate to obtain additional

domestic benefits. Total security is unattainable; additional security is attainable if we are willing to pay the penalty of greater sacrifices. This is inherently a political decision. It implies that military expenditures must be examined within the limits of the budget.

Under the Eisenhower administration military insecurity has increased. In the main this diminished security should be attributed to Soviet advances in military technology rather than to the administration's defense policy. The development of thermonuclear weapons and the probable development of an effective weapon delivery system in the ICBM have meant that we must be less secure since the Soviets can now mount a threat to our homeland. Nothing short of preventive war could have avoided this situation. With a somewhat larger military budget, we might be somewhat less insecure, but substantial deterioration of our security position has been inevitable in the last seven years. It is therefore not a question of military security *or* a balanced budget. We would be insecure in any event whether the budget were balanced or unbalanced. The doubts which have been raised concerning our military posture involve issues which are *essentially budgetary* in their nature: 1) should we allocate more funds to diminish our insecurity? and 2) if so, should the additional spending be covered by higher taxes or deficit financing,

If the administration's critics have erred in implying that total security is possible and that military policy may be decided without consideration as to cost, the administration has erred in the direction of suggesting that a good defense is obtainable without the expenditures so burdensome in time of peace and that through the elimination of "waste" a more effective military establishment can be obtained at lower cost. The administration has been ready to blame our military defects on "interservice rivalry." Pentagon reorganization may, of course, be desirable in itself, but the net savings from such reorganization are likely to be small and are hardly a solution to the problem of obtaining a more effective defense establishment. The nature of the armed forces is such that a reduction of appropriations is likely to fall on force capabilities. Economy cannot be imposed from outside. A more effective military establishment will not therefore be obtained

without increased expenditures and greater sacrifices.

### A Changed Military Balance

The revolutionary change in Soviet military capabilities in the last half-decade requires rethinking of our own military policy. Reliance upon nuclear deterrence which may have been adequate when Russia had no effective way of striking back may be unable to prevent Soviet adventures in the near future. The administration has tended to assume that the military balance is unchanged and that no (expensive) new measures are required. Critics of the administration are probably on sound ground when they imply that the administration has become frozen into its position of three or four years ago. They are wrong, however, in saying that security is obtainable simply by taking a more cavalier attitude toward the budget. In the first place, no amount of expenditure in today's world could achieve security. In the second place, the budget is not simply a fetish, but an instrument of policy which must inevitably encompass military expenditures.

The paramount issue of our defense policy and the adequacy of our military establishment has, of course, been hopelessly confused by being drawn into the arena of partisan politics. Since the nation's resources are limited, unbalancing of the budget must imply tightening of monetary policy and a reduced rate of growth—if *inflation is to be avoided*. Yet the political critics of the administration have with perfect inconsistency expressed concern not only with the latter's budgetary views but with "high interest rates" and "inadequate growth." What is probably more important, the public's willingness to allow budget expenditures to rise is not without limit. Therefore higher expenditures for domestic purposes probably mean relatively less for defense. When the promised new expenditures for domestic purposes—on urban renewal, education, agriculture, natural resources, medical care and the aged—are totalled up, there is some reason to doubt whether there would be any room left for increased defense expenditures. The defense problem is, of course, of a different order of significance as compared with most political issues. But if the opposition gives it merely

a passing reference before turning to high interest rates, the plight of the farmer, and other such questions, can the public be blamed for treating the whole discussion as just more election year bombast?

## II. The Present Situation

The ICBM and the megaton bomb mean that we must rethink our military policy; in fact the process of review is long overdue. Up to the present time, our ability to destroy Russia without its being able to launch a counterblow has meant that the Russians have been unable to probe our areas of military weakness. Now, however, we face a variety of threats—of a nuclear attack, of conventional warfare (certainly in Asia, possibly in Europe), and of submarine attacks on our communications. Since we can not respond completely to all threats, we must determine what degree of response would be made to each threat. We must in short, formulate a strategy, and in this process, every thinking man will to some extent be his own strategist. We must determine whether we are to speed ahead with advanced weapons technology and to ignore conventional armaments. If we prepare for conventional warfare, which is to receive priority, anti-submarine warfare or battle-ready divisions capable of dealing with brushfires?

In logic one of two policies must be adopted if we are to retain our present position. On the one hand, we might attempt *to get and to stay* so far ahead of the Russians in terms of modern weapons and delivery-systems that our need for more than the most modest conventional establishment is reduced. If the certainty of Soviet annihilation is much greater than the certainty of our own destruction, it may seem unlikely that the Russians would risk substantial disruptive action. This would represent a sort of *dynamic* massive retaliation policy. This writer doubts that such a policy would be effective, but it does represent a logical position. On the other hand, we might argue that within a year or two the Soviets will have reached parity with us in terms of capabilities for nuclear destruction, and that from that point on neither side is likely to initiate a nuclear engagement whereby it courts its own destruction. A nuclear stalemate would imply

that forces are necessary to deal with situations of conflict short of all-out nuclear war. Otherwise the Soviets are likely to be able by threatening conventional or limited warfare to seize Western positions piecemeal.

The point is that either policy, either the speedup of technological advance or the buildup of the conventional establishment after the period of decline permitted by our passing nuclear superiority, requires enormously increased expenditures. The Eisenhower administration is following neither policy. Our conventional forces can only be described as puny compared with their Russian counterparts. To make the massive retaliation policy work under the changed conditions of the 1960's will require moving well ahead of the Soviets—more money for rocketry, for an anti-missile missile, for civilian defense and so on. But the administration is content merely to stay abreast of the Soviets in the nuclear field, and in certain techniques to fall behind. Unless we possess a decisive edge in nuclear power, we will not be able to contain the Soviets in the near future without a comparable limited war capability. The fact that we have granted to the Russians the privilege of initiating hostilities means that our efforts will have to surpass theirs in terms of the capacity for neutralizing a variety of threats. In short, we shall have to spend vastly larger sums on defense if we are to retain our international posture. Otherwise we shall have to pull in our horns.

The period in which the Russians have the ability to pulverize the United States and the American populace becomes aware of this ability will be a period of menace for the West. Under those circumstances the inadequate Western capacity for encounters short of all-out war will subject the West to the full pressure of small Soviet nibbling actions; none of which is sufficiently great to justify courting annihilation. In fact the presupposition that the Soviets would never risk limited action in Western Europe may prove to be false. Even now, while the United States still possesses a nuclear edge over the Soviet Union, the improvement in Soviet nuclear capabilities has already demonstrated our increased susceptibility to pressures of a conventional type. The Berlin situation underscores Western military weakness for an

purpose other than nuclear warfare. There has been a subtle change in the bargaining relationship over Berlin in the twelve years since the airlift. Now we are *beseeking* the Russians not to press the Berlin issue. Berlin is in a Soviet vise; our only antidote to Soviet seizure would be to launch a nuclear strike, but with each passing year the threat that we would regard Berlin as worth the price we would have to pay grows less credible. Yet Berlin may simply be a sign of more dire pressures in the light of our meager capacity for limited warfare.

The obvious answer would seem to be to build up our capacity for limited warfare in the period of grace that remains to us. But that would require larger appropriations and a military budget running to some \$60 billion annually. That, the administration is not yet prepared to ask for. At some future date we are likely to pay the costs of our present negligence, in the form of a vast political disaster. But the United States will not be the only sufferer. To the writer it would appear that it is Western Europe that is living in the fool's paradise, relying upon the United States for a degree of protection which in the long run will not be forthcoming. What for us would be a vast and dangerous political disaster, either the piecemeal reduction of West Europe or its neutralization under Soviet influence, for the West Europeans themselves represents mortal peril. Western Europe has the resources to develop a military capability which with American assistance could stop the Soviets on the ground, but despite much tough talk, Western Europe is little better able to defend itself against a Soviet onslaught than it was five years ago. Europeans have been behaving like detached observers, almost like a detached prize, towards the United States, wondering whether we would rise above our "affluence" and our hesitations and assert our power. There is something remarkable in this detachment for what is at stake is Europe's survival as a power-center, perhaps even the liberties of Europe.

Of course, the development of conventional forces on the part of the West does not necessarily mean that they would be used in an emergency. Greater military forces are a necessary rather than a sufficient condition for Western survival. There is a question

whether the West has the *will* to employ force. In the air there are pressures for accommodation, for compromise, to put it briefly, appeasement. It is argued that the Russians have become more reasonable. But if we accept this assertion we only deceive ourselves. The Russians are more polite, to be sure, as suits their purpose, but they have not become more reasonable, and on balance they are probably more brash and aggressive although less blatant than in Stalin's day. What we describe as their growing reasonableness is simply our growing fear and our willingness to accommodate them even if this means retreat.

### III. The Ultimate Issue

Whether the West in general and the American people in particular will be willing to provide the additional resources for military establishments sufficiently large to preserve our power and our civilization is the ultimate issue. Though embodied in a budgetary question it raises the question of the effectiveness of free societies under present day conditions. It is a question which transcends the policies of this administration or any administration.

There are grounds for pessimism. It seems characteristic in democracies for the populace to exert strong pressure on the government, 1) to increase expenditures in ways that provide immediate satisfaction, 2) to reduce the tax burden, and consequently, 3) to reduce expenditures for purposes that do not provide immediate and visible benefits. A substantial military establishment does not appear to supply immediate benefits; if sufficiently large to win respect, it will not be "used." A democratic electorate which places pressure upon the government to reduce military expenditures is quite susceptible to the assertion that appropriations can be reduced with the elimination of waste without reducing military muscle.

This was, of course, as true of the Truman administration after the Second World War as it has been of the Eisenhower administration in recent years. Charlie Wilson's "a bigger bang for a buck" is the same thing generically as Louis Johnson's "cutting fat without cutting muscle." In a free society in which at base the citizenry allocates resources, the military establishment is compet-



ing with Pepsi Cola, nicotine, housing and automobiles for the consumer dollar. A democratic government alert to the real desires of the public (as it must be to stay in office) is therefore likely to chip away at the military establishment. The individual services are likely to respond by concentrating on those functions that have caught the public's attention. The Navy has been accused, for example, of providing a redundant nuclear capacity while neglecting the unglamorous but necessary task of anti-submarine warfare.

This problem of public preferences precluding an expenditure pattern most conducive to national security is not confined to the military arena. Investment in human capacity in the form of education may in the long run be the most vital form of expenditure. But education is expensive; it involves hard work; it is frequently unpleasant; and its benefits are not immediately obvious to those who have not been trained in a given discipline. The pressure on politicians is to provide funds for education grudgingly—and more willingly for buildings than for intangibles. When funds are supplied, there is some tendency to induce an erosion of standards and of discipline to make a painful process less uncomfortable to the average

voter or to his children. This is, of course, notorious in the case of the American high school.

But if the majority of the voters are short-sighted, how can we under freedom obtain the allocation of resources necessary to permit a free society to survive, especially now that the traditional margin for error for democracies has been narrowed by the revolution in military technology? One answer, the traditional one, is education (read indoctrination) of the voters—which would offset the self-destructive drive for economization in government. But education for a nation comes only from experience. There may be some reason to doubt that the electorate will ever be willing to sacrifice resources until it has learned the necessity for such sacrifices from a series of disasters. If this is so, we can only hope that in the wake of such contingencies the opportunity will still exist to redress the balance.

James R. Schlesinger was Academic Consultant in Economics at the United States Naval War College in 1957. He is the author of *The Political Economy of National Security*.

"Between 1960 and 1970 the labor force is expected to increase from about 73.5 million workers to 87 million.

"This net increase of about 13.5 millions, however, is based on a gross entry of 29 million new workers, 26 million of whom will never have worked before since we must counterbalance the expected exit of almost 16 million from our workforce due to death, retirement, and other causes.

"This is a colossal jump in numbers of people, but we get a real surprise when we see what kinds of people are going to be making up the huge labor force.

"Just about one out of every two . . . will be . . . under 25 years of age.

"Another two out of five will be over 45 years of age.

"Only 13 per cent will be between 25 and 34, and most significantly, there will be an actual decline in the number of working people in the labor force in the prime age bracket of 35 to 44.

"The low birth rate of the 1930's has given a unique configuration to our population and its distribution through the labor force. It is an hour glass figure, with the wide areas of increase at the bottom and the top, and an actual constriction in the center.

"When you consider, however, that normally the pressure, the accent, the demand center on workers with training, experience and skill, workers clustered in the narrow neck of the glass, as it were, you can see the problem of manpower use and abuse that we face."

—James T. O'Connell, U.S. Under Secretary of Labor, in an address delivered in Tulsa, Oklahoma, March 11, 1960.



*Have the American people been misinformed about the danger of inflation? Prices are rising very slowly, says this economist, because "more adequate monetary controls have been maintained and . . . in an ever-increasing number of fields consumers are today greeted with a bounty of goods at existing prices, not a deficiency."*

# Inflation: A Lessening Threat

By COLSTON E. WARNE

*Professor of Economics, Amherst College*

**I**N THESE FINAL months of the Eisenhower administration, attention has become increasingly riveted on the problem of inflation. Presidential vetoes and proclamations have accented the need to curb federal expenditure, lest the nation be overwhelmed by a rising price spiral. Innumerable speeches of businessmen counsel a steadfast resistance to this menace. Stockmarket tip sheets suggest the purchase of equities to hedge against inflationary trends. Judged by the infectious oratory of this election year, prices are today threatening to run away.

It is well at the outset to measure the basis for such forebodings by observing trends in the actual consumer price index, published monthly by the United States Bureau of Labor Statistics for urban wage earner and clerical worker families. The base year, 1947-1949, is equated with 100. From the tabulation given below, we note the sharp decline of the depression, the slow ascent of the war period, and the spectacular rise in the immediate postwar period, from 76.9 in 1945 to 100 (1947-1949). This was triggered by the premature abandonment of

price controls. Between 1947-1949 and 1952, the index jumps nearly 14 per cent, largely as a consequence of the inept handling of price control during the Korean War. This brings us to the inauguration of Eisenhower in January, 1953.

Between 1953 and 1960, an upward drift of less than one per cent a year has been recorded, lifting the price index from 114.4 in 1953 to 125.7 in March, 1960. The rise has, however, been at a very slow cadence since early 1958.

This composite index tends to conceal cross currents in the cost of particular commodities bought by the consumer. Thus, in scanning individual items in the consumer budget, we find that food is nearly 3 points lower than it was in 1958 but 5 points

Table I  
Consumer Price Index  
(all items)

Year	Index
1929	73.3
1933	55.3
1941	62.9
1945	76.9
Average 1947-49	100.0
1951	111.0
1952	113.5
1953	114.4
1954	114.8
1955	114.5
1956	116.2
1957	120.2
1958	123.5
1959	124.6
Jan. 1960	125.4
Feb. 1960	125.6
Mar. 1960	125.7

Colston E. Warne has been President of Consumers Union of the United States since its formation in 1936. He is Chairman of the Board of Editors of *Labor in Post-War America* and author of *Industry-Wide Collective Bargaining—Promise or Menace?* among other books, and is a contributing editor of *CURRENT HISTORY*.

higher than in 1953. House furnishings have dropped slightly in price since Eisenhower's inauguration. Apparel has climbed only slightly. The major items which have been consistently inching upward have been housing costs, transportation costs, personal care, reading and recreation and, especially, medical care. These trends are shown in Table II.

Table II  
(1947-49 = 100)

	1953	1958	Jan. 1960
Food	112.8	120.3	117.6
Housing	117.7	127.7	130.7
Apparel	104.8	107.0	107.9
Transportation	129.7	140.5	148.1
Medical Care	121.3	144.4	153.5
Personal Care	121.8	128.6	132.7
Reading and Recreation	108.0	116.7	120.3
Other goods & services	118.2	127.2	131.8

The above facts, weighed against the experience of other countries, suggest that the late Sumner H. Slichter of Harvard University was correct when he stated before the American Assembly in May, 1959:

The problem of inflation has turned out to be less serious than important government officials and businessmen would have the country believe. Ill-informed talk about inflation has aroused unjustified fears. . . . Few Americans are aware that the country has done a far better job of limiting the rise in the price level than have most other industrial countries. Few Americans know that the index of consumer prices has risen in the United States during the last ten years less than one-third as much as in the United Kingdom, only one-fourth as much as in France, one-seventh as much as in Austria, one-third as much as in Norway, less than half as much as in Sweden, the Netherlands or Denmark and over one-third less than in Italy or Canada.

The slower pace of American inflation has by no means been the result of political admonitions. In its most simple terms, it stems from the fact that more adequate monetary controls have been maintained and that in an ever-increasing number of fields consumers are today greeted with a bounty of goods at existing prices, not a deficiency. A downward, not an upward, pressure of prices is slowly generating in many price lines. This happens in the face of price support programs in agriculture, output and import re-

strictions in oil, administered prices in basic manufacturing industries, and a host of "fair trade" laws which clutter up our competitive system. Let us consider some of these fields separately.

Farm prices are today markedly lower than they were when Eisenhower was first inaugurated in 1953. (The food index has actually been sustained by advancing retail costs and by wastages in food processing and distribution.) Viewing Ezra Taft Benson's political difficulties with drastically curtailed agricultural output and with great agricultural surpluses, one would not rationally predict that the consumer's food budget in the years ahead would be likely to present a problem in inflation. Indeed, it is hard to explain to the farmer (now receiving 77 per cent of parity) why supermarket food prices have remained relatively constant while he has received less.

The housing situation is one of conflicting trends. The immense and still vigorous building program in metropolitan areas appears at long last to have passed its crest. While the construction cost index has continued to nudge upward, building permits for new dwelling units were at the year-end running considerably below a year ago, suggesting that here, too, no upward surge is imminent. *The Wall Street Journal*, indeed, reported (April 27, 1960) that for March, 1960, "Construction contracts were 9% below a year ago, with housing heading the decline."

In the automotive field, compact cars have precipitated a new zone of price competition which promises not only to be easier on the buyer's pocketbook but also to have other important repercussions. Detroit is already feeling the effects of shifting more than a quarter of its output to the smaller cars. Cut prices are the order of the day and, parenthetically, the lighter cars are slowing the demand for steel. *The Wall Street Journal* on April 6 recapitulated the situation succinctly:

There are increasing signs . . . that the most glowing statements are mostly for public consumption. . . . With well over 1 million unsold new cars piled up in dealer hands . . . auto men say shutdowns of plants for the changeover to 1961 models this summer will be the earliest in history.

Though sales of 6 million cars by the U.S.

auto industry this year would hardly constitute a tragedy, it would lead to unpleasant consequences.

Surely this is not a picture suggesting strong inflationary trends.

In the face of heavy inventories and the spread of discount house competition, the stable prices at which home furnishings have been selling for the last eight years seem destined to give way to a downswing, not an upswing. *The Wall Street Journal* on April 28 characterized the situation as follows:

Heavy inventories of unsold appliances are mainly responsible for the softening of prices, appliance executives say. . . . Some 3.8 million refrigerators, ranges and other appliances were stacked up in factory and distributor warehouses, nearly 16% more than a year earlier.

Appliance makers are striving to pep up sales by trimming frills off their refrigerators, laundry machines and other products and then pricing these promotional models 20% under the cheapest units in their regular lines.

While it is by no means clear that the apparel index, now stable for more than two years, will move downward, it is evident that wholesale prices in textile products and apparel were in January, 1960, only 97 per cent of the level of 1947-1949. This certainly suggests no sharp advance.

Other items in the consumer price index, such as medical care and personal care, have for some years been pressing steadily upward. Medical care has, indeed, advanced more rapidly than any segment of the index. This area of expenditure has come under assault by the Kefauver investigators as well as by proposed governmentally-sponsored medical plans. In the absence of federal action, it is apt to continue to rise in cost.

## II

Another element of growing significance in the American economy is short and intermediate term consumer credit which, last year, increased in volume by \$6,500,000,000—a substantial expansionary force in the economy. In all, \$51,300,000,000 was outstanding in January, 1960, divided among the items shown in Table III.

The free and easy way in which the American public has been willing to go into debt may suggest that here is the real inflationary danger in the current setting.

A survey of this field by the *Federal Reserve Bulletin* of April, 1960, reached the following conclusions:

- (1) Expansion of instalment credit reached a high in the summer of 1959, and then moderated in the fourth quarter. In early 1960 expansion increased, but at a slower rate than in mid-1959.
- (2) Consumer credit was actively promoted by both financial institutions and retailers in 1959 and early 1960. New credit plans were adopted and in some instances terms on conventional plans were eased.

A number of banks throughout the country introduced charge-account or check-credit plans in early 1959. These plans spread rapidly through midyear and were heavily promoted at the time of introduction.

Many retail outlets, particularly department stores and mail-order houses, offered new revolving credit plans and liberalized old plans. Some chains that had traditionally operated on a cash basis began to offer credit. Late in the year the subsidiary of a large consumer finance company extended its charge-account financing activities across the nation. Credit-card services were widely promoted.

- (3) Credit contracts written on new cars in early 1960 averaged \$2,600, slightly smaller than a year earlier.
- (4) The maximum maturity on automobile contracts remained at 36 months, but use of this maturity continued to increase. In early 1960 the proportion of new-car credit sales with 36-month contracts was somewhat more than 60 per cent, about 10 percentage points higher than a year earlier.
- (5) Over the past two years the ratio of repayments to disposable personal income has fluctuated around 13 per cent as income has risen at about the same rate as repayments. Since early 1959 repayments have risen more rapidly than income, and may continue to do so as they reflect the recent volume of credit extensions. Repayments were about 9 per cent of disposable income

Table III

Automotive paper	\$16,600,000,000
Other consumer goods paper	10,100,000,000
Repair & modernization loans	2,700,000,000
Personal loans	10,000,000,000
Single payment loans	4,100,000,000
Charge accounts	4,800,000,000
Service credit	3,000,000,000
	<hr/> \$51,300,000,000

both at the beginning of the decade and at the outset of World War II.

- (6) Demands for funds to finance consumer credit expansion competed with other credit demands in 1959, and contributed to the tightening of credit markets. The combined credit demands of the Federal Government, businesses, and consumers resulted in a record increase in short- and intermediate-term debt in 1959. During the year, as indicated earlier, total bank credit expansion was under restraint.

The current use of nearly one-seventh of disposable personal income to pay off *already-incurred* consumer debt (excluding mortgage debt) suggests that consumers are already heavily laden with obligations. Just how many more "easy credit" enticements they will be willing to accept in the months ahead seems in some doubt.

Looking at today's inflation fright in broadest perspective, one is inclined to ask: What is all the shouting about? Several answers to this question have been given. To Democratic congressmen, the outcry appears as an effort to keep down the level of government welfare expenditures by stimulating a deluge of letters from anguished but ill-informed citizens. To trade unionists, the outcry has been a propaganda campaign by business and the Administration aimed to lessen union agitation for higher wages by suggesting that substantial wage increases

would trigger off a price spiral. To some investment critics, the outcry has been a method of stimulating the sale of common stocks by creating a profitable speculative flurry. To some economists, the outcry has been designed to augment the profits of financial houses by an abnormal raising of interest rates, which simultaneously created an ever-heavier burden of servicing the federal debt.

All of these theories have been defended with considerable partisanship. Yet, whatever the basic motivation for misinforming the American people concerning the existing price situation, it is abundantly clear that *The Wall Street Journal* of April 25, 1960, is correct in the long-range interpretation of the situation:

The chances for continued inflationary advances such as have been seen in the past decade seem to have diminished considerably.

Actually the trend to inflation began to recede in raw commodities almost ten years ago. The postwar high for the Dow Jones commodity futures index was above 215 in 1951. The index is now below 145, a decline of more than one-third. . . . The decline in raw prices during the past nine years represents mostly a correction of the speculative excess of 1951. . . . The producing facilities which were in such great need ten and even five years ago have been built. And by the same token the labor shortages which marked the early part of the latest decade are no longer with us.

"We all need to clear up our understanding of inflation. When we have inflation it means that the cost of living goes up for all of us. When we have inflation it means that a lot of people are being robbed. Inflation steals part of the dollars of our old people living on savings or pensions or social security. Inflation steals part of the dollars of people living on fixed incomes like teachers, social workers and clergymen. Inflation steals from everyone who has put savings into savings and loan associations, savings banks, life insurance and government bonds, from all the people who have put their faith in the soundness of our American dollar.

"Inflation steals from all these people because it destroys the value of the dollar. To clip coins is against the law. . . . But inflation is clipping our currency at an appalling rate. The American people have \$500 billions in all forms of fixed dollar investments. Every time the cost of living goes up 1 per cent, the people who have saved that money, often at great sacrifice, lose \$5 billions. Our cost of living actually has been increasing recently at the rate of 2.5 per cent a year. Thus inflation has been stealing huge sums from people who are least able to defend themselves."

—H. Bruce Palmer, President of the Mutual Benefit Life Insurance Company, Newark, New Jersey, in an address delivered in Los Angeles, California, March 1, 1960.



*With the President "in a more compromising mood on the farm question," Benson "a little less rigid," and the Democrats looking for a farm program with "voter appeal," perhaps some positive action will be taken to untangle the surplus dilemma. Will Congress pass a farm bill in an election year?*

# Abundance: The Farmers' Problem

By GILBERT C. FITE

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THE AGRICULTURAL question has been one of the most aggravating and perplexing domestic problems to face the American people during the last third of a century. Over the years a host of farm relief proposals have been advocated by farmers, farm organizations, vote-conscious political leaders and academic economists, but none of them has been fully satisfactory. Consequently, farm policy has continued to be a major political issue in most presidential campaigns since 1930, and the election of 1960 will be no exception.

The heart of the American farm problem—really a multitude of problems—has centered around overabundance, or surpluses. The term surplus usually has been defined as production above domestic consumption, adequate reserves, and normal exports. In other words, surpluses represented excessive production which tended to drive prices to unprofitable levels and cause hardship and distress among farmers.

Although surpluses of major crops have periodically depressed prices throughout American history, a widespread demand has developed for government aid to reduce price-depressing surpluses only since 1920. The farm depression which struck in the summer of 1920 emphasized the poor position of agriculture, but generally farmers did not understand one of the most basic problems facing them, namely overproduction. The situation for wheat and cotton, the nation's two most important export crops, was becoming increasingly serious because of growing production of these commodities in

other parts of the world and rising efficiency at home. The world production of wheat jumped from 2.8 billion bushels in 1919–1920 to 3.8 billion bushels in 1931–1932. In the decade following 1921–1931 the world production of cotton rose some 5 million bales.

The United States usually did not consume more than about three-fourths of its domestic wheat production and American cotton mills seldom took more than half of the cotton output. Consequently, with domestic production remaining high for most basic commodities in the 1920's, home and foreign markets could not absorb the available quantities of products at profitable prices. Friends of the farmers began to say in the early 1920's that burdensome surpluses must be removed before agricultural prosperity could be restored.

Throughout the 1920's, numerous suggestions were made to deal with the surplus problem. However, none of these was enacted into law until Congress passed the Agricultural Marketing Act in June, 1929. Besides aiding in organizing farm cooperatives, the Federal Farm Board which admin-

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istered the law was empowered to establish government-financed stabilization corporations to buy products and maintain a fair price in the face of unusual and price-depressing surpluses.

When farm prices began to decline late in 1929, the Farm Board tried to stabilize the market by making liberal loans to cooperatives, and finally by establishing stabilization corporations and buying commodities directly in the open market. This was the first attempt by the federal government in peacetime to maintain farm prices above those determined by supply and demand. However, when farmers refused to reduce their production, the Farm Board abandoned its efforts to maintain an artificial price level. By 1931 the Board had lost some \$345 million in its efforts to stabilize prices, and at the end of the Hoover Administration the Board held some 12.5 million bales of cotton and 395 million bushels of wheat. These surpluses hung like the Sword of Damocles over price increases.

#### Production Controls

The desperate situation among farmers by 1932 and early 1933 seemed to demand drastic government intervention in the agricultural sector of the economy. President Franklin D. Roosevelt and his main agricultural advisors were convinced that prices would not rise until production was brought into line with effective demand, which meant curbing the output of price-depressing surpluses. Thus a vitally important section of the Agricultural Adjustment Act passed in May, 1933, was the provision for production controls.

The Agricultural Adjustment Administration under the leadership of Secretary Henry A. Wallace struggled heroically with the surplus situation. In 1933, some 10 million acres of cotton were plowed under, wheat farmers signed contracts to reduce their output in 1934 and 1935, and a corn-hog program was developed which reduced corn acreage and hog farrowings.

Despite these new and unorthodox methods of trying to curb agricultural surpluses, production continued high and prices remained relatively low. The Soil Conservation and Domestic Allotment Act of February, 1936, and the A.A.A. of 1938 provided

additional tools to deal with farm surpluses, but the Department of Agriculture failed to act vigorously in applying acreage restrictions and production controls. This was due partly to the unpopularity among farmers of strict curbs on production. Wheat surpluses were cut between 1933 and 1937 by extensive droughts, but in 1937 when virtually no wheat program was in operation plantings and production greatly increased. By July 1, 1939, the United States wheat supply reached 295 million bushels, and with the new crop over 1 billion bushels were on hand by the year's end. Cotton production in 1937 was nearly 19 million bales, the largest crop on record, and the carry-over amounted to 11.5 million bales in 1937 and in excess of 13 million bales the following year. Corn surpluses were also large. Joseph of Egypt was a piker compared to Secretary Wallace.

Under the influence of huge surpluses, prices failed to achieve parity, the stated objective of the Agricultural Adjustment Acts. By 1939, after six years of effort and a variety of government programs, average farm prices were only 77 per cent of parity. Surpluses in the major export crops were not removed until 1941 and early 1942. In other words, the defense and wartime demands for farm commodities associated with World War II saved an agricultural program wallowing in surpluses and relatively low prices after six or seven years of planning and experimentation.

#### Why The New Deal Failed

There were numerous reasons why New Deal farm programs failed to bring supply into line with effective demand. In the first place, neither Congress nor the Department of Agriculture was willing to inaugurate sufficiently drastic acreage and marketing allotments to eliminate price-depressing surpluses. Farmers wanted government price supports, but they were reluctant to accept what they considered excessively restrictive production controls. Moreover, those who cooperated in the government programs often took their least productive land out of cultivation, thereby cutting output very little. On the remaining acreage farmers boosted their production by using more fertilizer and in some cases irrigation.

New and improved varieties of crops and breeds of livestock also added to the total output and made reduction less effective, especially in the case of corn. By 1940, about 50 per cent of the farmers in the corn belt were planting hybrid seed which frequently increased production by as much as 20 or 25 per cent. It was a losing battle for the Department of Agriculture to cut corn acreage 15 or 20 per cent while corn belt farmers were expanding output per acre by that much or more. Technical developments in agriculture also added to farm efficiency and aggravated the surplus problem.

The tremendous demands for food and fiber during World War II gradually emptied the bins and warehouses previously filled with agricultural surpluses. But farmers did not permit the good times to blind them to a possible post-war price collapse like that which followed World War I. An amendment to the Stabilization Act of October, 1942, guaranteed that prices of cotton, corn, rice, wheat, tobacco and peanuts would be supported at 90 per cent of parity for two years after the war or, as it turned out, through the crop of 1948. This established the pattern for high fixed supports which became so controversial an issue after World War II.

There was little or no need for governmental price supports in those years immediately after the war because domestic and overseas requirements were at a peacetime high. However, unusual demands both at home and abroad tended to hide a potentially dangerous situation. If production continued high and exports declined, or a recession occurred, price-depressing surpluses were almost certain to return. An obvious danger signal was the wheat crop of 1,358 million bushels in 1947, the largest on record. And, despite a relatively small acreage, the cotton crop amounted to nearly 15 million bales by 1948.

### **Flexible Price Supports**

In 1948, Congress took a fresh look at the nation's farm program. The most important part of the new law was the move toward abandoning high, fixed price supports inaugurated during World War II. The aim was to establish a scheme of flexible supports whereby prices of basic commodities would

be maintained at between 60 and 90 per cent of parity depending upon supply. In other words, farmers were to be encouraged to cut excessive output by the threat of lower price supports.

Although the principle of flexible price supports was written into law, the effective date was postponed until January 1, 1950, largely because of pressure from tobacco and cotton representatives who tended to favor fixed supports. Meanwhile, 90 per cent of parity was continued.

The demand to abandon the wartime legacy of high, rigid supports was lessened somewhat by heavy consumption resulting from foreign aid and the Korean War. Large surpluses did not accumulate in 1951 and 1952 despite bumper crops, and over-all farm prices averaged 103 per cent of parity during the latter year. In the year ending June 30, 1952, the Commodity Credit Corporation, the agency designated to administer price supports, lost only \$67 million. In fact, between October, 1933, when the C.C.C. was established, and December 31, 1952, C.C.C. price support losses amounted to \$1,064 million.

But the prospect of future surpluses caused agricultural planners sleepless nights even though the Korean War temporarily improved the demand and price situation. Farm efficiency was growing by leaps and bounds. Between 1940 and 1955, total farm output rose some 35 per cent with no increase in acreage. The trend of farm production may be seen in the following examples. In 1928 cotton growers raised 14.4 million bales on 42.4 million acres, but in 1955 a slightly larger crop was grown on only 16.9 million acres. Production of corn in the 1930's was about 25 or 26 bushels per acre, but by 1957 the average was nearly 47 bushels. There were also increases in the production of other crops.

In view of these conditions Congress had two major alternatives as a means of avoiding farm price disaster. Lawmakers could ask farmers to approve strict controls, including acreage reduction and marketing allotments, or they could give farmers more freedom and hope that lower prices, or the threat of them, would discourage excessive production. It was hoped, of course, that in the long run increasing population and ex-

panded consumption of food would also help remove surpluses.

Although the Democrats had for a time favored more flexible supports and less government interference in agriculture, they campaigned in 1952 for high fixed supports at 90 per cent of parity, or above. Republican candidate Dwight D. Eisenhower announced in his major farm speech at Kasson, Minnesota, that he favored 100 per cent of parity for farmers. But, he explained later, this objective must be obtained in the market place and not through a government price support program. After Eisenhower's election, the new Secretary of Agriculture, Ezra Taft Benson, moved toward lowering price supports in the belief that farmers would reduce their output under the prospect of a free market and lower prices. Secretary Benson argued that high, rigid support prices kept farmers from adjusting their production to meet realistic demands. Benson had strong backing from some farm groups, notably the American Farm Bureau Federation.

In 1954, a Republican congress passed a new farm law and Secretary Benson prepared to implement the flexible price support provisions. This permitted supports for basic commodities at between 82.5 and 90 per cent of parity for the 1955 crop and at between 75 and 90 per cent of parity in 1956 and thereafter. The rate of support would depend upon production. The result of this policy was that price supports for wheat were dropped from \$2.18 per bushel in 1951-1952 to only \$1.82 by 1958. In February, 1960, Secretary Benson recommended a special bill to deal with wheat surpluses that would lower price supports on that crop to about \$1.30 a bushel by 1961.

The idea that surpluses would be reduced to manageable proportions by lowering supports proved fallacious and unrealistic. Farmers continued to produce record crops in the period after 1952 and prices steadily declined. Between 1951 and December, 1955, average farm prices dropped 28 per cent. As a result of these price trends, net farm income declined from \$17,262,000,000 in 1952 to \$14,447,000,000 in 1954, and continued to fall even lower in 1955.

Surpluses and lower prices brought the Eisenhower-Benson flexible price support

policies under heavy political fire by 1955. There were demands that Eisenhower dismiss Benson and return to a policy guaranteeing prices of basic commodities at 90 per cent of parity. Democrats were joined in their attack on Benson by midwestern Republicans who wanted to make their peace with farmers before the elections of 1956. President Eisenhower, however, threw his full political and personal influence behind the Secretary of Agriculture, and neither Eisenhower nor Benson would budge from the path leading toward lower price supports taken in 1954. Partly to assuage the growing criticism, Secretary Benson announced some new features of the Administration's farm plan in October, 1955. These included expanded exports, a broader program of conservation, and more constructive help for low income farmers. He said this new program was no "cure-all," but insisted that "it will be constructive."

#### The Soil Bank

Despite promises of something new, the Republican program was still geared to flexible supports. Yet as the presidential election of 1956 approached, tremendous pressure developed to provide farmers with more positive and direct aid. On January 9, 1956, the President presented a new program to Congress, the most important part of which was the establishment of a soil bank. Farmers were to be paid for removing from production land normally planted to basic crops like wheat, corn and cotton which were in surplus.

Democrats charged that Eisenhower was simply trying to buy farm votes, and countered with a demand to return to fixed supports of at least 90 per cent of parity. A combination of Democrats and midwestern Republicans finally passed a bill on April 11 which included a 90 per cent of parity provision. However, President Eisenhower vetoed the measure. After further political sparring, Congress passed the Eisenhower soil bank bill in May and appropriated \$1,200,000,000 to pay farmers for placing part of their cropland in the soil bank.

Following another Republican victory in 1956, Secretary Benson continued to encourage greater freedom for farmers, and gradually lowered price supports on some crops.



He hoped that this policy would not only discourage greater production, but would also move more farm produce into regular market channels rather than into government storage. He repeatedly explained that the technological revolution in agriculture had created "a new dimension in farm policy, making it virtually impossible to curtail agricultural output with the type of controls acceptable in our society." Benson explained to the House Agriculture Committee early in 1957 that "the present legal formulas governing acreage allotments and price supports are proving obsolete." He referred to the Agricultural Act of 1954 as "a beachhead of rationality in the setting of price support levels," and insisted that "the evidence is convincing that we should move in the direction of more freedom for our farmers to produce, coupled with less reliance on the establishment of price-support levels. . . ." Benson accused the system of high fixed supports of losing markets, restricting farm production decisions, and piling up surpluses.

However, farm production statistics seemed to belie the Benson argument that flexible price supports and more freedom for farmers would curb the accumulation of surpluses and cut out the approximately one thousand dollars a minute being expended to store farm commodities. In fact, under fewer production controls and lower support prices farmers increased their output. Moreover, the cost of the farm program shot upward.

In 1958, total crop production reached an all-time high, and this was matched in 1959. Corn set a new production record in 1959 following the removal of acreage restrictions, coupled with relatively low price supports of only \$1.12 per bushel. By June 30, 1959, the Commodity Credit Corporation held 1,043 million bushels of corn, 1,146 million bushels of wheat, and 1 million bales of cotton. These holdings were increased even further by early 1960. The C.C.C. had investments in price supports and inventories of more than \$9 billion by 1960, and held enough wheat to feed the nation for two years if not another bushel were grown.

In view of this situation, it was impossible to keep farm problems, especially the surplus question, out of politics in 1958 and again in 1960. Secretary Benson came in for another

round of unmerciful criticism by some farm state representatives for lowering price supports and weakening production controls. On the other hand, large C.C.C. losses brought increasing criticism of the entire farm program from urban and eastern interests. When price support losses rose to more than \$1 billion annually in both 1957 and 1958, Representative Perkins Bass of New Hampshire declared that the price support program had been a costly failure. "How many more years are you going to demand that we in New England and elsewhere subsidize your agricultural economy?" he asked his colleagues. Beginning November 30, 1959, *Life* magazine carried a series of three articles severely attacking the farm program which the writer said had "sprouted into a national scandal."

#### A 1960 Campaign Issue

As the presidential campaign of 1960 approached, both parties sparred for political advantage. In a special farm message sent to Congress on February 9, President Eisenhower said he was calling urgent attention "to a most vexing domestic problem in the low net income of many of our farmers and excessive production of certain farm products, largely due to economic distortions induced by years of Federal interference." The wheat program, he said, was most serious, and if something was not done at once the pressure of "public indignation" might force abandonment of the entire program. The President explained that he personally favored eliminating acreage and allotment controls for wheat along with much lower price supports. But, the President continued, if Congress wanted higher support prices, he would go along, providing this policy included stricter regulation of production. Price supports must be related realistically to production controls, he said.

Eisenhower was obviously in a more compromising mood on the farm question early in 1960 than at any previous time. Even Secretary Benson appeared a little less rigid. He said in February that he agreed with the President on how to attack the wheat problem, but that "other constructive approaches may be preferred by Congress." Vice-President Richard Nixon indicated clearly to a

group of farm-state congressmen that he did not intend to be bound by the Eisenhower-Benson ideas if he received the Republican presidential nomination. In February, the Democratic Congress began hammering out a program which Democrats believed would have voter appeal, and at the same time would cost less and rid the country of accumulating surpluses. The most popular and widely discussed bill was the "Family Farm Income Act of 1960," authored by Representative W. R. Poage of Texas and co-sponsored by at least 11 other congressmen.

The Poage bill was principally designed to balance "supply with demand at a fair price," to reduce storage costs, and to distribute food to needy people and institutions. A wide variety of provisions were included to curb production and cut down on government storage costs. Moreover, the Secretary of Health, Education and Welfare was di-

rected to "increase the amount of dairy, poultry, and meat products distributed to the needy, to institutions, and through the school lunch program." Here was a two-pronged attack on the surplus problem. On the one hand incentives were to be increased to curb output, while at the same time the bill sought to expand consumption both at home and overseas.

These were the policies which gained increasing acceptance in the first half of 1960, and they seem to point the direction which farm planners will take in the future as a means of solving the problem of agricultural surpluses. Whether Congress will pass any farm bill in an election year, or whether President Eisenhower will sign a measure enacted by the Democrats, remains to be seen. The farm surplus problem has no complete or easy solutions. It is a matter which will require the best statesmanship that a free people can provide.

"As a student of the American business and financial machine, I know that without an accepted system of values as base the economic system simply cannot be sound. We can play as our statisticians must do, that production of plastic balloons is no less 'productivity' than building cathedrals or developing first-rate housing. But we all know better. We can, and our figures do, classify the ten billions a year Americans spend on liquor as of equal value to the ten billions they spend on education. But we know . . . the comparison is discreditable. . . . Yet we are content to let go, without challenge, the idea that taxes are a form of robbery—while inflated installment charges collected by finance companies for anything from mink coats to summer vacations on pay-later plans can be considered sound bargains. The best brains in the country, which I still think are represented in our universities, must be saying with bluntness what things are first and first rate, and what are secondary and second rate, and what are discreditable, and due to be discarded. Bluntly, universities everywhere ought to concern themselves with a moral order. In academic lingo this is called a value system.

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"Most Americans realize that the greatest values come not from personal pleasure or profit, but from contributions made to the community, the country and the progress of humanity. They know quite well that education comes ahead of transient luxuries. They know that the running gear of business is justified not by its profit, but because it meets human needs. Profit is essential, but secondary. They know there is more to a job than the paycheck, essential as the paycheck is, but that a paycheck without a real job is a form of poorhouse. So they want a system providing stable employment. They also want the jobs to mean active participation in civilization and in life. They want an economics that does not accept slums as a necessary condition of housing. They want business that does not organize waste at consumers' expense, and they understand quite well that 'planned obsolescence' is either cheating or waste, or both. In other words, they want an organization of affairs that realizes instead of violates their value system."

—Adolf A. Berle, Jr., Professor of Law, Columbia University, in an address delivered in New York City, May 15, 1960.

*In an evaluation of organized labor's contribution to the American economy, this authority discusses how unions are waging their battle against a resurgent anti-unionism. If recession is just around the corner, will the unions be strong enough to meet it?*

# Organized Labor and Economic Stability

By MARK STARR

*Educational Director, International Ladies' Garment Workers' Union*

LABOR CURRENTLY sees recession ahead. Slowly and with reluctance a summit conference of labor and management is being arranged with the official blessing of the White House and the United States Department of Labor. Mutual accusations between union and management of "feather bedding" still jeopardize a peacefully-made new agreement on the railroads, which otherwise may lead to the next big nationwide stoppage.

Meanwhile the climate of anti-union opinion has been sustained by the wide circulation of *The Enemy Within*. Robert F. Kennedy, the chief counsel to the McClellan Committee, therein declares that:

The only group that has tried to maintain standards and clean out their corrupt and dishonest elements has been the AFL-CIO. . . .

but unfortunately neither the reviewers nor the readers note this tribute. The newspapers (and even *The New York Times* and other reputable newspapers were found by the Senate Rackets Committee to be in collusion with local union officials) continue daily to focus attention upon the Teamsters Union and the continuing disputes with its Board of Monitors.

So far the United States Department of Labor has been at great pains to help the unions comply with the Landrum-Griffin Act, 1959. The newly appointed staff members have been anxious to explain and not to punish, although they too do not know how the courts will apply many of the loosely and ill-defined clauses of the new law.

To put the role of the unions in a free so-

ciety and their regulation by government into focus, it is well to remember that until the New Deal and the Wagner Act (1935) they had no clearly defined legal status. Their early open suppression had failed. Reluctant tolerance for trade unions was followed by judicial prejudice expressed in such cases as the Danbury Hatters. The declaration and forswearing of union membership in "the yellow dog contract" and the injunctions against strikes followed.

The unions remained small and chiefly outside the mass production industries. Primarily they relied upon their economic strength to win improvements in wages and working hours. Samuel Gompers whose ideas dominated the AFL from 1881 to 1924

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preached a do-it-yourself voluntarism which did not look to government for aid. Such non-partisan political action as was developed was to protect unions from legal attack and to protect employed women and children.

In the 1920's the unions were restricted in their influence and unable to combat the company unions set up by employers as a backfire against genuine organization. Many writers forecast their demise as the employers actively developed their "open shop" campaign. Industry, so it was claimed, had attained a "permanent plateau of prosperity." Employers had been converted, so it was asserted, to the economy of high wages and these were increased without union pressure.

Then came the depression of 1929. It was harder to be poor in the United States than anywhere else in the world because everybody expected to be rich. Despite any hangovers of Gompers' voluntarism, the unions asked for social security against unemployment. *Public* enterprise, "the government alphabet soup" (FERA, WPA, and so forth), was resorted to because *private* enterprise had resulted in unprecedented mass unemployment for over 10 million workers. But more permanently important for the unions was Section 7a of the National Industrial Recovery Act (NIRA). Obviously when this act encouraged business to organize, the workers had to be accorded the same right. And even when NIRA was declared unconstitutional by the Supreme Court, Section 7a was embodied in the Wagner Act of 1935. Not only were the unions given the right to organize, but also employers were not allowed to interfere with that right; they must bargain in good faith with the union chosen by their employees. Some of the elder union leaders recognized that what government could give it could also take away or seriously modify. These were minority voices.

### Union Growth

The unions in the New Deal decade, 1933-1943, soared in membership and influence. The mass production industries were at last organized. The trend from *business unionism* to *social unionism* began. Labor unions recognized the tremendous help which could be obtained through laws

to secure the minimum wage and to liberalize social security.

The great incentive of dearer labor power for improved production methods and the beneficial effect upon the economy of increased purchasing power of the millions of workers are generally recognized. Even internecine conflict between the AFL and CIO, ended by the merger in December, 1955, created emulation and competition instead of weakness and the AFL unions kept ahead of their rival.

### Unionism Slowed

Now nearly 30 years later union growth has slowed down. Automation has increased the ranks of the white collar workers whose unionization still presents a problem. Labor unions are no longer regarded as a crusading force to rescue "the underdog." They have been badly smeared in public opinion by the cumulative effect of the McClellan Committee. Some conservative economists, however, say they have no material influence in raising wages. Others attack them as nationwide monopolies which must be broken up into plant and regional units. They have been wrongfully tagged as the main cause of inflation. They allegedly, after a sham battle, enter into collusion with the employers to share the loot at the expense of the consumer. And their leaders, in this caricature based on ignorance, are ruthless and corrupt—robber barons born out of their time.<sup>1</sup>

Noticeably after 1957 a new group of business leaders apparently resolved "to put labor in its place." They challenged requests for wage advances and fringe benefits. The J. L. Case strike at Racine, Wisconsin, may drag on like the Kohler strike for years. The Harriet Henderson textile firm in North Carolina resurrected all the oldtime violence and frame-ups of union leaders. Public opinion, particularly among educators and school children, was turned against the unions by large supplies of free films and lesson material. School teachers and professors were provided with summer school

<sup>1</sup> No wonder that a survey by Elmo Roper, given in a statement before the Federal Communications Commission December 17, 1959, showed that 88 per cent of the replies stated that "dishonest labor leaders" were a major moral problem compared to 41 per cent who placed rigged television shows in that category.



and job opportunities. In the area of politics the anti-union forces secured the passage of the Landrum-Griffin Act.

It remains to be seen whether the failure of the steel corporations, despite a stoppage of 116 days, to block wage advances and to secure a free hand in changing working conditions will slow down the attack by management. Only a third of the receivers of wages and salaries are in unions and, for the reasons stated above, the increase in union membership expected as a result of the AFL-CIO merger has not been attained. Both for the friends and foes of trade unions, for intellectuals of every color in the spectrum, and for members and leaders of unions and management this seems to be a period of taking stock.

It is disturbing to think that important sections of management have not yet accepted unions as an essential part of a free society. The union organization of a plant is too often regarded as merely the failure of the personnel department to keep unions out. In every strike, unions are blamed by the local papers.

For example, a local editor, John G. Anderson, of *The Clear Lake Mirror-Reporter*, commenting upon the Wilson packing plants strike in Iowa and Minnesota in which 4,000 workers finally won a 25.6 per cent package increase in a two year settlement, wrote:

These big labor unions don't care if they bankrupt a business by striking. It makes no difference to them if violence breaks out, pitting neighbor against neighbor and friend against friend—even brother against brother. What is one little factory or one little community in their conception of industry-wide control? Send in a carload of goons, incite some of the local hotheads to riot—then you have a sample of the way these big unions operate.

This is one of several editorials to be found in *Globe Gazette*, Mason City, Iowa, February 5, 1960.

### Union Problems

The attempts of the anti-union sections of management are more disturbing because there are still internal divisions in the AFL-CIO. It has taken five years in the important states of Pennsylvania, New Jersey and Illinois to complete the merger on the state

levels. President Al Hayes, International Association of Machinists, has publicly expressed his dismay at continuation of raiding, jurisdictional disputes and inter-union rivalry and competition. The decision by the 1959 AFL-CIO Convention to call a Special Convention to deal with inter-union jurisdictional disputes in the light of reports to be made by the Committee on Union Disputes has remained inoperative. Some of the trouble centers about the maintenance men employed in industrial plants.

Columnists and financial experts (with rare exceptions) show no sign of lessening their antagonism to labor unions. For example the widely syndicated "expert" Merryle S. Rukseyer blamed the steel union for the stock market setback and ended his column (March 17, 1960):

There is no justification for continuing feather bedding, and economic wastes imposed by governmental laws, court decisions, union pressures and popular ignorance of economic facts.

The *San Francisco Examiner's* E. F. Tompkins (March 15, 1960) seriously asserted:

The AFL-CIO economic program is largely a duplication of the Fabian Socialist program in England. . . .

### In Unions' Favor

The more encouraging side of the picture includes: the improved public relations activity of the unions as seen in the more varied and colorful union papers; the high quality and wide radio audience of the Edward P. Morgan talks; the wide television showings of the film shorts, *Americans at Work*. In the area of economics and politics the AFL-CIO Research Department significantly relates union policies to the whole community and stresses the cumulative production "deficit" of \$260 billion caused by unused productive capacity. In the official AFL-CIO *Economic Review* (January, 1960) there is an analysis of the 125,000 collective bargaining relationships in the United States and their effect upon the economy. The main claims are that "the result of this union pressure for higher wages has been of positive value to the American economy"; that renewed emphasis must be placed on increasing the levels of purchasing power and consumption; that "without union pressure improve-

ments in productivity would not be translated either into higher wages or lower prices"; that wage settlements "have not been a significant factor in causing price increases in the postwar economy."

Labor is skeptical of the view that industry's management elite is more interested in power than in profits and property. Union journals have given details of stock option sales by corporation executives by which fortunes may be quickly made, and also of the untaxed expense accounts which in some instances are almost equal to salary. *The New York Times* (April 16, 1960) reports that Chairman Frederic G. Donner of General Motors received, in 1959 salary, fees, bonuses and contingent credits, \$670,350. This presumably was a reinforcement of his prestige as the head of the largest auto firm. (In fairness it should be said that his predecessor, Harlow H. Curtice, received in 1958 \$100,000 more than this and Mr Donner's compensation will be, according to G.M. calculations, reduced to \$111,782 after taxes.) A flurry in the stock market was caused in March, 1960, when George Romney, president of American Motors, exercised part of his stock option and sold 10,000 shares purchased for \$9.56 at an average price of \$90 a share.

### Price Administering

The basic problem is created in the area of "administered prices" fixed by corporations with near monopoly powers. Here thanks to increased productivity the companies can fix their prices to return the desired dividend of 20 per cent upon invested capital. General Motors can operate at 40 per cent of capacity and still make a profit. A strike can now be manipulated to reduce overhead and the increase in prices successfully blamed upon the unions.

For such situations economists such as J. Kenneth Galbraith have proposed a government agency with powers to set up a public hearing at which consumer interests can appear. Walter Reuther created a precedent some years ago by showing General Motors how it could grant a wage increase and simultaneously cut the price of its cars. This idea was modified later on to cover a sharing of profits with the stockholders, the workers and the consumers. Reuther has also sup-

ported the consumer counsel idea. The AFL-CIO *Economic Review* mentions "an independent government body to review price and wage decisions either before or after they have been made." However the *Review* doubts "whether the introduction of wages as a *separate* issue into such a procedure of public hearings serves any useful purpose."

Such proposals, as well as the failure of Taft Hartley to end such deadlocks as occurred in steel, will undoubtedly be on the agenda of the forthcoming summit conference "to consider and develop guiding lines for just and harmonious labor relations." Some proposals would give the fact-finding commission power to enforce its recommendations by a temporary injunction until the parties in a dispute, which has created a national emergency, make their own settlement.

Another important area (also evident in the steel strike) is the desire of management to change working conditions at will. In the Kaiser Steel Company and in the Armour meat-packing plants, the better way of placing such changes in the hand of a qualified joint committee has been adopted. Back in the first days of "the sit-down strikes" the idea was developed that the worker had a property right to his job. After all he has invested his life to acquire skills. This surely is a more vital property right than the piece of paper issued by a mutual investment company to indicate impersonal factional ownership by a shareholder. It is the blood of the coal digger not that of the coal owner which still stains the coal.

### Property Right to a Job

If this new property right is recognized (and it comes to a head in the alleged half a billion lost by feather bedding on the shrinking railroads), then compensation by severance pay is in order. The corporation executive, already enjoying the security of a guaranteed annual wage, gets compensation if his contract is broken. Hence severance pay, upgrading to more skilled jobs, planned introduction and timing of the new machines and processes, with transfer to new occupations are recommended to replace the suspicion and fear which is naturally provoked when the worker alone bears the cost and pain of inevitable industrial change.

Above all the AFL-CIO sensitivity to consumer and community interests is evident in the political program. Samuel Gompers would hardly believe his eyes if he read *A Positive Program for America*. These are proposals which would benefit not only union members. The increased coverage and the hourly minimum of \$1.25, the liberalized social security with increased medical care for senior citizens, the increased federal aid to public housing and schools, the fairer taxes and similar proposals would benefit all citizens and not be confined to union members.

### Unions and Democracy

Unions must always by their nature think in terms of collective action, mutual aid and social planning. They must continue to protest the exploitation of human beings, the grave social inequalities which still persist in our supposedly affluent society; they must join with all serious-minded fellow citizens to reject the current debased pecuniary values of our modern community which have produced payola, the fixed television quiz, the kickbacks and the organized deception of the hucksters. As in all movements there are individual failures to live up to labor's code of ethics but the unions are for excellence in people and not for the prestige of profits.

This means persistent efforts to translate the increased productivity of automation into increased leisure for people who will

learn how to utilize it in a creative fashion. The unions will continue to show that unions are necessary to healthy economic growth. Further, that *industrial* democracy (based on what you do) is an enrichment of *political* democracy (based on where you live).

The unions have their own problems of internal communication and democratic practices. The old direct participation (which operated in the New England town meeting and earlier for the free citizens in the towns of Greece) is no longer feasible in big unions (much less in big corporations) where technicians alone have the adequate administrative skills. But union members must still retain the powers of assent and dissent upon the general purpose of their unions. This in turn means that labor education must concern itself increasingly with the *know-why* of unions (their history, philosophy and economics) as well as with the *know-how*, which trains their officers. Encouragingly enough this trend is apparent and many of our colleges and universities are cooperating in providing facilities.

Unions share with all other organizations in our modern community the problem of active and healthy participation by their members to ensure progressive growth. Further the organized trade unions have shown by their cooperation with unions in other countries that they are aware that all nations and countries must advance together in peace and freedom.

"Management, too, needs to snap out of old-fashioned, outmoded, encrusted thinking. Too much management thinking centers on ways to restrict markets, to fence in and limit competition. The emphasis should be on opening up markets and fostering competition. \* \* \*

"... Without a new frame of mind, a new attitude on the part of both labor and of management, there is a serious danger that the economists may be right—that we may indeed be pricing ourselves out of the world market.

"Rich as we are, powerful as we are, America can't live in the world without a substantial and increasing foreign trade. Today, management and labor still have a chance to carry this forward. Tomorrow may be too late.

"Tomorrow, the people of America may call on the government to step in ... and once in, government will never again be disentangled from a position of decisive influence and control over American industry and American labor.

"This is what is likely to come to pass if we are content merely to shadowbox with competition, instead of truly engaging in competition. Competition may be a hard taskmaster. But its rewards are unlimited."

—Eric Johnston, President of the Motion Picture Association of America, in an address delivered in Washington, D.C., March 19, 1960.

*This article examines the United States balance of payments problems and the United States' trade deficit, and offers a positive approach to redress the imbalance resulting from increased imports and reduced exports.*

# Trade and Disappearing Gold

By EVERETT D. HAWKINS

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AT THE END of World War II the United States had a monopoly in three areas in the international field: the atom bomb, foreign aid and world trade. All are now lost. The Russians soon demonstrated their ability in the fission-fusion field and went on to show the rest of the world their sputniks and luniks. The United States, Canada and some of the other Commonwealth countries were looked to as the source of foreign aid at the end of the war and for about ten years thereafter. Now Russia, China and the Eastern European countries are vying with the United States in aid and loan programs in many of the less developed parts of the world. Khrushchev has boasted about competition in the foreign trade field, although the Soviet bloc has not been a serious threat to the West.

The United States, however, has lost its trade monopoly, not to the Soviet Union but to Western Europe and Japan. This means that the United States can no longer complacently expect that the world will clamor

for all our exports regardless of price, delivery date or style. The old "dollar shortage," which really meant that Europeans wanted our exports so much more than they had ability to pay with imports, services or gold, has been diminishing since 1949, but this did not become really apparent until 1958. Actually the Eisenhower Administration has faced an international payments deficit since its inaugural. Table I indicates an average deficit of \$1.6 billion a year from 1953 to 1955. The Suez crisis, coming at the end of 1956, reduced this amount and turned it into a small surplus of half a billion dollars in 1957. In 1958 and 1959, however, the United States lost \$3 billion worth of gold and it had total deficits of over \$7 billion in its balance of international payments. This means that foreigners—individuals, banks and governments—largely in Western Europe, Japan and Canada, have built up dollar balances which they either took out in gold or might take out at some later date.

The gold "wailing wall," which had been idle since 1933, was dusted off by pundits, bankers and government officials who ceremoniously genuflected before it, moaning the loss of all this gold, even though the United States still has about \$19.5 billion in gold—a bit more than all the other countries of the world have in their monetary gold reserves. To make the matter worse, calculations have been made showing that foreigners have sufficient short-term balances here which, if drawn out, would almost exhaust our gold supply and certainly would push it well below the 25 per cent requirement that the federal reserve system is now obliged by law to hold as reserve against deposits and notes.

The purpose of this article is not to encourage devotees of the gold wailing wall,

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**TABLE I**  
**U.S. Balance of International Payments 1953-1959**  
(In Billions of Dollars)

	1953-5 (Annual Average)	1956	1957	1958	1959
<i>United States Expenditures Abroad</i>					
1. U.S. Imports .....	16.9	19.8	20.9	20.9	23.5
2. Merchandise .....	11.0	12.8	13.3	12.9	15.3
3. Services and Military expenditures .....	5.9	7.0	7.6	8.0	8.2
4. Remittances and pensions .....	.6	.7	.7	.7	.8
5. Government grants and capital outflow (short-term net) <sup>1,2</sup> .....	2.4	2.8	3.2	3.2	2.9
6. U.S. private capital (net) .....	1.1	3.0	3.2	2.8	2.3
7. Total .....	21.0	26.3	28.0	27.6	29.5
<i>Foreign Expenditures in the United States</i>					
1. U.S. Exports .....	18.3	23.7	26.8	23.2	23.4
2. Merchandise .....	13.1	17.4	19.4	16.2	16.2
3. Services and military sales .....	5.2	6.3	7.4	7.0	7.2
4. Repayments on U.S. government loans .....	.5	.5	.7	.6	1.0
5. Foreign long-term investments in the U.S. ....	.3	.5	.4	.0	.5
6. Transactions unaccounted for (net) .....	.3	.6	.7	.4	.9
7. Total .....	19.4	25.3	28.6	24.2	25.8
8. Increase in foreign gold and liquid dollar assets through transactions with the U.S. <sup>1</sup> .....	1.6	1.0	-5	3.4	3.7
9. of which: U.S. sales of gold <sup>1</sup> .....	.5	-.3	-8	2.3	.7

\* Preliminary estimates.

<sup>1</sup> Excludes the U. S. subscription of \$1,375 million to the IMF of which \$344 million was paid in gold in 1959.

<sup>2</sup> Excludes military grant aid.

Source: U. S. Department of Commerce, Office of Business Economics.

but to analyze the changing trade patterns of the 1950's and the prospects of the 1960's, with special reference to the foreign trade policies of the Eisenhower Administration against a background of United States objectives in the international economic field.

### United States Trade Policy

According to a 1957 report prepared by the Office of the President the three major components of the broad objective of United States foreign economic policy are: "(a) to promote the economic strength of the United States, (b) to promote the economic strength of the rest of the Free World, and (c) to build and maintain cohesion in the Free World."<sup>1</sup> To achieve these objectives the United States government has followed three basic economic policies: the expansion of trade in both goods and services through the gradual and reciprocal reduction of unjustifiable government and private barriers; the promotion of private investment; and the provision of mutual assistance.

The first of these programs dates back to the Trade Agreements Act of 1934. From 1934 to 1945 the general trend of legislation was moving in the direction of liberalization

of trade. The President was empowered in 1945 to grant further concessions up to 50 per cent of those rates in effect on January 1, 1945, which might mean a total reduction of 75 per cent below those duties in effect in 1934. In 1947 the General Agreement on Tariffs and Trade (GATT) was negotiated in Geneva, with 22 countries including the United States providing concessions on 45,000 items covering about two-thirds of total world trade. But in 1947 President Truman issued an executive order, after discussion with Republican congressional leaders who had come to power, to include in all subsequent agreements an "escape clause." This clause, first used in the Mexican agreement of 1943, would allow either country to abrogate parts of the agreement should it develop that injury was threatened to the producers of either country.

In 1948 the "peril point" provision was included by Congress making it mandatory for the Tariff Commission to specify, after study, the point below which the tariff being negotiated could not be reduced without imperiling the industry. The President might

<sup>1</sup> Sub-Committee on Foreign Trade Policy of the Committee on Ways and Means, *Foreign Trade Policy*, Washington, 1958, pp. 5-7.

reduce the tariff below this point, but he had to explain such an action to Congress. The peril point was removed in 1949 but restored in 1951, together with the escape clause which for the first time was written into the law. In 1953 the Act was continued for a year and President Eisenhower appointed the Randall Commission to make policy recommendations in the foreign trade field.<sup>2</sup> The President later recommended that certain of the Commission's proposals be adopted, but Congress in 1954 voted to extend the Act for one more year, and in 1955 adopted a weak bill which permitted only limited decreases over a three year period. Some might argue that the weak bill was an act to protect all industries against any injury from concessions which resulted in increased imports. Thus, a "national security" clause was introduced, the findings of the Tariff Commission were to be made public and the definition of industry was narrowed so that if any item of a domestic producer were threatened with displacement by imports he might appeal under the escape clause.

From 1947 to 1957, out of the 83 applications for relief which were filed under the escape clause, the Tariff Commission found injury in only 20 cases and was divided in its opinion in 5 others. Of these cases the President increased duties only seven times (fur felt hats, hatters' fur, dried figs, clover seed, watches, bicycles and flax toweling). Even if fewer than 10 per cent of the applicants were given relief, the escape clause is itself an important deterrent because some foreign manufacturers, faced with conducting advertising campaigns or offering important service facilities, hesitate to introduce new products in the United States market which might later be closed to them.

After extensive hearings in 1957, the Administration proposed that the Trade Agreements Act be extended for five years. In August, 1958, after long and heated debate, Congress extended the Act for four years and included three provisions which could be used to lower tariffs: (a) by 20 per cent below the current level but not more than 10 per cent in one year; (b) to 50 per cent on ad valorem tariffs; or (c) by 2 percentage points on those below 50 per cent. The law, however, was a compromise: the working

sections, including the national defense clause, were tightened so that it was impossible even for a single producer to claim injury; and Congress by a two-thirds vote of both houses might over-ride the President, if he did not follow the findings of the Tariff Commission. The President found that oil and oil products were being imported in such amounts as to threaten or to impair the national security and so he instituted in 1959 a "compulsory" program instead of the 1957 "voluntary" plan for limiting these imports. There was a good deal of opposition to this finding. Many people felt that it was not in the long-run national interest to use up rapidly scarce American oil resources, and that this was a measure to protect the price and output of certain producers.<sup>3</sup>

On the other hand, the Director of the Office of Civil and Defense Mobilization found no threat to national defense in the importation of fluorspar, cobalt and certain heavy electrical equipment. The President, however, held in an escape clause case that the importation of certain stainless steel flatware products injured the domestic producer. He disapproved such findings for two other products. The Tariff Commission in 1959 found no injury in eight cases and terminated three others without formal findings.

### Voluntary Quotas

One further device used by the Eisenhower Administration is to encourage producers in other countries voluntarily to adopt restrictive quotas on their exports to the United States. For example, Hong Kong producers have limited shirts, and Japanese firms stopped all exports of transistor radios to the United States in May, 1960. Internationally this is a softer, more polite, technique but it achieves the same result as an increase in tariffs or a regular quota system, namely the reduction of international trade. Professor Kindleberger of M.I.T. has stated his opposition to this voluntary method since it forces a cartel arrangement abroad for controlling exports to the United States, but he urges

<sup>2</sup> Commission on Foreign Economic Policy, *Report to the President and the Congress*, Washington, 1954, 94 pp.

<sup>3</sup> At these hearings Dr. Howard Piquet, senior specialist in international economics, Legislative Reference Service of the Library of Congress, said: "A choice must be made. Are we going to continue to avoid all injury and confine ourselves to token tariff reductions, or are we going to enact legislation that will make increased imports possible?" *Ibid.*, p. 231.

that, if such a device is used, it should be for a limited period only—say two years.<sup>4</sup>

Although merchandise imports have risen from an average of about \$11 billion in 1953 to \$15.3 billion in 1959, this increase cannot be attributable, at least to any substantial extent, to trade concessions granted under the trade agreements program by the Eisenhower administration. In all fairness, even with the escape clause, the defense clause and the quotas on price-supported agricultural commodities, the Administration has not greatly restricted trade. This is one of the cases where Eisenhower wants to be good to everybody. He believes in the desirability of more international trade.

### Recovery and Convertibility

A more important reason for the increase in imports is, of course, the recovery in production and the rise in productivity of many industrialized nations. Furthermore, in 1949 England and many other countries, after consultation with the International Monetary Fund, devalued their currencies by 30 per cent. This tended to reduce the relative price of their exports, making it cheaper for Americans to import from abroad. Since 1949, with the exception of 1957, the United States has had a deficit balance with the rest of the world and our imports have been climbing from every area but at different rates. During the period 1953–1959 imports from Japan trebled; from Western Europe more than doubled; from the oil-producing areas of Venezuela, the Caribbean and the Middle East, increased 50 per cent; from the sterling area, excluding the oil countries, only 30 per cent; and from all other countries, 10 per cent.<sup>5</sup> Since the war built-in stabilizers have held up United States disposable income so well, even in recessions, that there has not been a drop in imports. It seems evident, also, that the rise in national income in the United States is one of the reasons for the increased demand for foreign products.<sup>6</sup>

At the end of 1958 many countries in Western Europe had become financially strong enough to make their currencies convertible into dollars for non-residents. There were still some foreign exchange controls but many of these restrictions have subsequently been liberalized. The older European Payments Union was replaced by the European

Monetary Agreement. Obviously no country would dare move to convertibility of the dollar unless it had a substantial amount of gold and/or dollar deposits which it could draw upon to maintain the value of its currency. Either the United States had to lose gold or the other countries had to build up short term balances. Economists like Alvin Hansen have pointed out that we ought to have realized that there would have to be some deficits in the United States. Twelve years ago it would have been considered a miracle to think of Europe strong enough to produce so many exports, to build up balances abroad and to be able to convert currencies to dollars. We ought to be excited and pleased that our foreign economic policies have actually done as much or more than predicted. Instead of a gold wailing wall we should hold a victory banquet for this successful joint effort which has resulted in such important improvements in Western Europe and Japan in twelve years time.

### Six and Seven

A new problem faces the Eisenhower Administration in its closing days. Europe has not only recovered and returned to convertibility, but has organized itself into two new trade groups: the Common Market consisting of six countries, West Germany, France, Belgium, the Netherlands, Luxembourg and Italy, and the European Free Trade Association of seven countries, the United Kingdom, Norway, Sweden, Denmark, Austria, Portugal and Switzerland.<sup>7</sup> These areas will reduce the tariffs to members within the group. This would seem to be moving in the direction of free trade, but in turn these groups may build a common tariff wall against all other countries. Such a move would have considerable repercussions on trade between the Inner Six and the Outer Seven and between each of these groups and the United

<sup>4</sup> *Ibid.*, p. 87.

<sup>5</sup> *Economic Report of the President* transmitted to the Congress, January 20, 1960, p. 114.

<sup>6</sup> See Randall Hinshaw, "Implications of the Shift in the U.S. Balance of Payments," *American Economic Review*, May, 1959, pp. 274–83.

<sup>7</sup> The idea of free trade areas is spreading because seven Latin American countries (Brazil, Chile, Peru, Uruguay, Argentina, Mexico and Paraguay) are forming a group, but these less developed countries are concerned with somewhat different problems: "infant" industries, growth and price instability of primary exports. (These important issues cannot be analyzed in this short article.)

States, Japan and the rest of the world. If the European countries should insulate themselves into two distinct trade blocs this would have grave economic and political results, especially after the failure of the Summit Conference. The United States favors reductions of tariffs by these groups not only within the group but with the rest of the world. When the United States makes concessions to these European countries, it should extend them to the rest of the world.

### Disappearing Gold

The United States had a deficit of \$3.7 billion in 1959<sup>8</sup> of which \$1.8 billion resulted from transactions with Western Europe, \$2.3 billion with Asia and Africa and small surpluses of \$.3 billion with Latin America and \$.1 billion with Canada.<sup>9</sup> It is easy to point out that the outward gold flow from the United States was less in 1959 than in 1958 and that many people, including the Administration, expect on the basis of improvements at the end of 1959 and the first quarter of 1960 that the United States deficit will decline in 1960. It is certain that some of the large deficit in 1959 was due to the steel strike and the fact that the export of jet airplanes did not rise till the end of the year. It is a question whether production of the compact United States cars will check the rising demand for small foreign cars from all over the world which alone has shifted our trade balance by a billion dollars.

The Administration has attempted to meet these large deficits in a number of ways. The President in his 1960 Economic Report stated: "The payments deficit underlines the importance of firm fiscal and monetary policy."<sup>10</sup> The present Administration, however, did not need this excuse to talk about the necessity of a tight monetary and fiscal policy in the face of what it considered to be the danger of inflation rather than the losses of less than full employment. It is recommending that private businessmen become more aggressive in their foreign selling, that the commercial activities of the Foreign Services should be strengthened and the United States should participate in more foreign trade fairs. The Administration has also countered the gold outflow and deficits by urging European countries to reduce all barriers on goods coming from the United

States. It is estimated that the reduction in trade barriers already made by European countries resulted in exports of \$300 million more last year than the United States would have sold with the previous restrictions.

The United States has suggested that European countries should play a larger role in financing the capital requirements of the under-developed areas of the world. At the same time it announced that loans made by the Development Loan Fund (DLF) would be tied loans, i.e., the countries should use the funds to buy goods exclusively in the United States. The purpose was ostensibly to help United States exports, just as is the similar practice in the Export-Import Bank loans. If the Western European countries make loans to the under-developed countries, as the Administration hopes, they may follow suit and also use tied loans. Such a segmenting of loans and exports would be another limitation on the free multilateral trade which the Administration supports.

After the President's visit to Latin America in 1959 the United States and a number of Latin American countries established the Inter-American Development Bank. The United States will contribute \$450 million out of total needed resources of \$1 billion. As a result of the President's trip to India, the United States signed an agreement to lend India over a period of four years \$1.3 billion to purchase 17 million tons of surplus United States wheat, rice and other grains to be repaid in rupees. On June 17, 1959, the President signed a law increasing the U.S. subscription to the International Bank for Reconstruction and Development by \$3.175 million. The U.S. has also pushed the proposal for an International Development Association (IDA). Starting this year it is expected that the United States will contribute over a five year period about \$300 million of the total resources of about \$1 billion. All of these new measures, together

<sup>8</sup> This figure does not include the payments made to the IMF (See Table I). The deficit would have been larger if several countries had not made repayments on loans ahead of schedule.

<sup>9</sup> The Department of Commerce reported: "A large part of the dollars received by Asia and Africa as a result of transaction with the United States are either spent or deposited elsewhere, presumably in Europe. Europe uses a part of its net dollar receipts for payments to Canada, thus enabling the latter to meet its deficit with the United States and, in addition, to increase its dollar holdings." *Survey of Current Business*, March, 1960, p. 11.

<sup>10</sup> *Economic Report of the President*, transmitted to the Congress, January 20, 1960, pp. 51 ff.



with the older parts of the foreign aid program which includes technical assistance, mutual aid and agricultural loans and gifts, and the loan programs of the Export-Import Bank and the Development Loan Fund, will increase the exports of goods and services, especially to the less developed countries.

The Research and Policy Committee of the Committee for Economic Development issued a national policy statement in February, 1960. It warned against attempting quick solutions to the balance of payments problems, which run counter to other national objectives such as raising tariffs or cutting down on private investment, military commitments abroad, or foreign aid programs to the less developed areas of the world.<sup>11</sup> The Conference on Trade Policy also warned against trying gadgets to solve the payments problem and urged the United States to be ready to adjust as trade becomes more competitive.<sup>12</sup>

#### Suggestions for the 1960's

Further attention should be given to the new position facing the United States in the 1960's. Is the United States in a position to be the international banker for the world? Will the European countries want to withdraw their dollar balances and thus put a heavy drain on United States gold? This would seem unlikely unless the interest rates dropped so that these short term balances would be moved to another country where the rates were higher, or unless there was fear of recession, devaluation or war. Being the international banker complicates the attempt to achieve internal stability and full employment. Should the United States try to hold foreign deposits with higher interest rates or should it lower interest rates to try to combat the depression?

Among economists there are several proposals being suggested to meet this problem, none of which will be easy for the Eisenhower Administration to accept. First, Congress might eliminate the requirement that the Federal Reserve Banks hold 25 per cent gold or gold certificates as reserves for Federal Reserve notes and member bank deposits. Such a change would mean that gold withdrawals to other countries would not automatically require a reduction in the money supply of this country. Unfortunately

older ideas about mother love and gold reserves are not easy to change.

Second, the United States might give assurances to foreign governments that their deposits in the United States would be redeemed at the present value of gold, even if the United States should devalue the dollar. The proponents of this suggestion think that such a guarantee would mean that no country would feel that it had to withdraw its short term balances and so the United States would not have to devalue its currency. This might be a temporary expedient, but it would seem difficult, and perhaps unwise, to give a long term commitment of this kind.<sup>13</sup>

The third suggestion which seems to offer a much more basic solution has been proposed by Professor Robert Triffin of Yale.<sup>14</sup> In essence, it calls for a centralization and internationalization of the reserves of the central banks of the countries of the world in an enlarged International Monetary Fund. A new international monetary unit would be created and, if a country were running short in its balance of international payments, it could borrow from the Fund, i.e., its reserves at the Fund would be increased just as a member bank borrows from the Federal Reserve to increase its reserves. These reserves would be used to pay other countries whose deposits would thereby increase. Of course, there would have to be safeguards limiting the amount that any country could borrow without making some fundamental adjustment in her internal policies or exchange rates. In a sense this plan is carrying out the vision of Lord Keynes for an international monetary unit.

It had been hoped at Bretton Woods that the loans of the International Monetary

(continued on p. 38)

<sup>11</sup> *National Objectives and the Balance of Payments Problem*, New York, 1960, 33 pp.

<sup>12</sup> Committee for a National Trade Policy, Inc., Summary: Conference on Trade Policy, Washington, January 27-29, 1960, 12 pp. Panel 5 suggested a "fumigated escape clause." See also *Statement Developed by the Princeton Conference on the Balance of Payments of the United States*, Princeton, New Jersey, November 16, 1959, 16 pp.

<sup>13</sup> On the other hand, there are some, but not the author, who would argue that the dollar is over-valued now and that it should be devalued soon to aid exports and reverse the gold flow, i.e., the value of gold should be increased above \$35 an ounce and this would mean that the pound would be worth more than \$2.80 and then it would no longer take 360 yen to equal a dollar.

<sup>14</sup> *The International Monetary Position of the United States*, a statement before the Joint Economic Committee, October 28, 1959, 19 pp.

*"It is the task of the government, through appropriate monetary and fiscal policy, to keep total spending in the economy at a level which is high enough to prevent slumps and at the same time low enough to avoid serious inflation." As this economist sees it, "The dogma that sound government finance means an annual balancing of the budget stems largely from the fear of debt."*

# The False Economy of the Balanced Budget

By WILLIAM N. LEONARD

*Professor of Economics, Hofstra College*

**W**HEN Senator Goldwater of Arizona stated a few years ago that he had sat in "at the funeral of an old and tried friend of the economic system, namely, a balanced budget," he was expressing the concern and confusion in the minds of many laymen regarding the New Economics.<sup>1</sup> He had just heard economists testify for several days on federal tax policies. "Why not build up surpluses in periods of prosperity?" he asked. "What happens if we go into a depression? Where do we get the billions of dollars that will be needed to bolster the economy?"

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Actually, Senator Goldwater's alarm was premature, for the reported demise of the balanced budget has proved to be—borrowing from Mark Twain—"grossly exaggerated." Indeed, President Eisenhower has made strenuous efforts in recent years to bring federal expenditures in line with government receipts. He has declared that the goal of a balanced budget provides "a discipline essential for wise and efficient management of the public business."<sup>2</sup> While acknowledging that government has a responsibility for welfare and full employment, the President has insisted for the past two years that the cost of any new programs be met out of current revenues, without new taxes, and has opposed public works spending which, though it might reduce unemployment not frictional<sup>3</sup> in character, would jeopardize a balanced budget.

The President has limited federal action by administrative proposals, or by veto, to areas where he feels "people cannot take the necessary actions for themselves." The areas for which sums have been excluded or restricted include (1) housing and urban renewal; (2) education programs involving federal scholarships, aid to teachers salaries,

<sup>1</sup> Hearings on Federal Tax Policy for Economic Growth and Stability, Subcommittee on Tax Policy, Joint Committee on the Economic Report, December 5-16, 1955, pp. 43-44.

<sup>2</sup> Budget of the U.S. Government for the Fiscal Year Ending June 30, 1956, p. M6. The value of the balanced budget for administrative purposes is discussed later.

<sup>3</sup> "Frictional unemployment" is a result of seasonal, technological and random factors and will be found throughout the business cycle. Public policy aims to prevent "cyclical unemployment" produced by business slumps.

and payments to states on a per pupil basis; (3) medical research and medical care for the aged; (4) aid to distressed economic regions. The President considers federal spending in these areas to the degree proposed by the Democratic majority in Congress unnecessary, and if made, likely to upset the balanced budget. Failure to balance the budget would, in his judgment, open the door to inflation.

### The Political Issue, 1960

Vice-President Nixon has not only supported President Eisenhower in the quest for a balanced budget, but has stated that paying off the debt at the rate of \$5 billion a year would be an "appropriate objective" of fiscal policy. He has not stated whether this implied a federal surplus (which would be relevant only at a peak of economic activity with strong inflationary pressures at work), but suggested that it ought to be a continuing policy. This effort would be "unrealistic," said Mr. Nixon, only if the international situation deteriorated.

We should set it (reduction of \$5 billion a year in debt) as a goal, but the primary goal must be the security of America. And once we can take care of that security, then if we have enough left, we can apply it on the debt.<sup>4</sup>

Such a response joins the issue squarely with the advocates of greater spending to augment programs of domestic welfare, with labor groups striving for fuller employment, and with those urging vigorous federal action to speed economic growth. The principal debate of the 1960 campaign, Mr. Nixon has predicted, will be "how far the federal government should intervene in the economy."<sup>5</sup>

Though the political dialogue is similar, a substantial difference exists between today's debate over the balanced budget and that which prevailed in the 1930's. Then the popular dogma held that the federal budget had to be balanced *each year*.<sup>6</sup> Bernard Baruch told the Senate Finance Committee in 1933 that failure to balance the budget threatened the nation's credit, a view that was shared by Herbert Hoover, though he could not avoid deficits in his last two years. Up until 1937 President Roosevelt himself believed in a balanced budget, and while he defended his spending program on the

grounds that its benefits exceeded its costs, nonetheless he held out hope for a later balancing of the budget and debt reduction.<sup>7</sup> Following the 1937-1938 recession, however, the President and his advisors appear to have adopted the new economics of John Maynard Keynes and regarded their spending program not merely as relief, but as a means of achieving a higher level of employment.

Keynes directed attention to the income of the entire economy, an aggregate of consumer spending, business investment, public expenditures and the export surplus. This aggregate determined the volume of output and employment, given the state of technology and capital efficiency. Consumer spending was a function of, and varied directly with, the level of income.

Investment also varied directly, but more widely, depending upon net returns from capital increments and interest rates. Since investment had a multiplying effect upon aggregate income, it was important for a nation seeking recovery to spur private investment by holding interest rates down and encouraging consumer spending. The latter end could be accomplished by government in several ways: through reduction in taxes, by relief payments and by public works. Without government action, it was possible for the economy to remain indefinitely at levels below full employment. With public spending to boost consumption, and with public investment to reinforce private investment, higher levels of income and employment could be achieved.

This theory (all too inadequately described above) clearly supported public spending as a contribution to recovery and the fuller utilization of resources. It also justified an unbalanced budget and the enlargement of the public debt to stimulate national income. Economists analyzed, refined and slowly adopted the Keynesian concepts as part of their kit of tools. New Deal supporters welcomed the Keynesian doctrine

<sup>4</sup> Remarks before the American Society of Newspaper Publishers, *The New York Times*, April 22, 1960.

<sup>5</sup> *New York Times*, May 16, 1920.

<sup>6</sup> Only one exception was permitted: during war the nation could incur a deficit and finance itself, in part at least, through bonds. To do so in peacetime, however, was to invite inflation and economic ruin.

<sup>7</sup> A good account of the change in attitude toward the federal budget appears in Lewis Kimmel, *Federal Budget and Fiscal Policy, 1789-1958*, Brookings Institution, Washington, D. C., 1959.

as rationale for the Roosevelt program, though the resumption of spending in 1938–1940 fell far short of achieving full recovery.<sup>8</sup>

It was World War II which proved the Keynesian case, by bringing about a tremendous rise in federal spending, in employment and output.<sup>9</sup> While higher tax rates lopped off consumer purchasing power and corporate surpluses, individual and business savings grew rapidly. Widespread sale of bonds assisted the government to finance the war and withdrew excess demand from markets.<sup>10</sup> Civilian consumption was kept at pre-war levels, even though federal spending for war reached \$100 billion a year, allocating key resources to that part of the economy. At the end of the war, the federal debt exceeded \$260 billion, but aggregate income had reached new peaks, full employment had been achieved, and individuals and business held large reserves of purchasing power.

### "The Nation's Budget"

Two important milestones of fiscal policy occurred at the end of the war: (1) In 1945, for the first time, the federal budget was presented to Congress together with "the Nation's Budget," a breakdown and analysis of national income in terms of the spending of households, government, business, and the export surplus; (2) the Employment Act of 1946, passed in the belief that a severe slump would follow the end of hostilities, declared that the federal government would strive to promote "maximum employment, production, and purchasing power."<sup>11</sup> The Act established a Council of Economic Advisors to assist the President primarily in the preparation of an economic report to be sent to Congress, there to be reviewed by the Joint Committee on the Economic Report (now the Joint Economic Committee).

This Act, based upon the New Economics, has brought about a significant change in federal budget-making. No longer is the budget examined primarily in terms of money costs; it is viewed in relation to the economic budget of the nation, indicating to what extent federal fiscal policies contribute to a nation's income and employment. Moreover, as economic output has risen in the past few years, increasing emphasis has been placed upon economic

growth, and upon policies which would sustain such growth.<sup>12</sup> In 1951, President Truman declared that the federal budget was "an expression, in financial terms, of the actions this Government can and should take at this time to build toward economic growth and the expansion of human freedom, in our own country, and in the world."<sup>13</sup>

### Price Stabilization

President Eisenhower has not changed the use of the federal budget to achieve growth and stability so much as he has emphasized other objectives, principally price stabilization. The high post-war level of demand and the abnormal spending of the Korean War had pushed prices up, alarming groups of creditors and those on fixed incomes. Eisenhower pledged the ending of the Korean War, then a fiscal policy calling for reduction of federal expenditures, balancing the budget and reducing taxes. However, the Cold War succeeded the Korean War, requiring a continued high level of federal spending and high personal and corporate taxes.

In the spring of 1954, a reduction in excise taxes was granted which spurred recovery from the 1953–1954 recession but left the country even more deeply in debt (cash deficit of \$12 billion). President Eisenhower again promised a balanced budget, but at a later date, and set about reducing federal expenditures primarily by shifts of governmental activities to local governments and private enterprise. The Administration has made good use of monetary policy—Federal Reserve Board actions to raise interest rates

<sup>8</sup> The insistence on reform simultaneously with recovery appears to have made private investors uneasy and dampened capital expansion.

<sup>9</sup> Keynes anticipated this situation, when he wrote that it was "politically impossible for a capitalistic democracy to organize expenditures on the scale necessary to make the grand experiment work which would prove my case—except in war conditions." *New Republic*, Vol. 103 (1940), p. 158.

<sup>10</sup> Much of the debt held by individuals and financial institutions was reconverted to cash after the war, a process known as "monetization of the debt." Pouring into the market, the money created sharp price increases, but also spurred a quick recovery from demobilization.

<sup>11</sup> 60 U. S. Statutes 24.

<sup>12</sup> It is easy to demonstrate that the commitment to "maximum employment" as an objective involves an effort to sustain economic growth. If—to take present trends—the domestic work force increases 1 per cent a year, and output per worker increases 3 per cent a year, then a real growth rate of 4 per cent a year is necessary to sustain employment. This assumes no reduction in the work week.

<sup>13</sup> Budget of the U.S. Government for the Fiscal Year Ending June 30, 1951.



and limit credit—to assist in checking spending and inflation.<sup>14</sup> Unfortunately, high interest rates operate more effectively against small business, the farmer and homebuilding, than against big business, which can draw on retained earnings.

While the Administration has remained committed to a flexible fiscal policy to counteract inflation or deflation, increasing emphasis has been placed on a balanced budget. Occasionally the President appears to revert to pre-Keynesian views by comparing the government's budget to that of a household and by regarding debt and borrowing as inflationary.<sup>15</sup> Mr. Eisenhower told Congress:

Over the long term, a balanced budget is a sure index to thrifty management—in a home, in a business, or in the Federal Government. When achievement of a balanced budget is for long put off, in a business or home, bankruptcy is the result. But in similar circumstances a Government resorts to inflation of the money supply.<sup>16</sup>

After the recession of 1957–1958 produced a record peacetime federal deficit in 1959—a factor which undoubtedly contributed to recovery—the President proposed a balanced budget for fiscal 1960, and a surplus for fiscal 1961.

By contrast, in Great Britain there does not appear to be any bias in favor of a balanced budget in either major party. Although receipts were estimated to run about \$1 billion short of expenditures in the 1959 budget, Conservatives went ahead with plans to reduce purchase taxes and stimulate consumer buying. As a consequence, a \$2 billion deficit was contemplated, comparable to a \$16 billion deficit in our economy. The tax cuts, however, stimulated consumer purchases and national income, and the 1959 deficit came to only \$879 million, less than half that estimated.<sup>17</sup> For the 1960 budget a \$926 million deficit has been forecast.

### The New Economics in Review

Post-war experience has provided a useful testing ground for the New Economics, furnishing ample proof that monetary and fiscal policies can be effective in achieving stable and continued economic growth. The following observations on federal budgetary policy are based upon this experience:

1. The "automatic stabilizers"—income taxes, unemployment compensation, farm

price supports, social security taxes, which operate quickly and without need for legislative action—are effective in reducing purchasing power in boom times, while they are even more effective in countering declines in disposable income in recession.<sup>18</sup>

2. A large federal budget is itself a stabilizing influence in the economy. Much of the fluctuation in the budget is automatic, through taxes that increase more rapidly than income during expansion, and drop off more sharply than income during slumps. Further, government transfer payments increase in recession. A stabilizing budget could conceivably maintain tax rates unchanged for a long period.<sup>19</sup>

3. Sound fiscal and economic policies call for flexibility in approach. Discretionary measures, such as those appropriate to recession—reducing taxes, extending unemployment compensation benefits, increasing social security payments—require good timing and judgment. Both monetary and fiscal measures are necessary for control and must be interrelated; e.g., spending may be curbed by high interest rates, and/or high taxes.

4. The federal budget should be viewed in perspective over a period of years, not on an annual basis alone. The pursuit of an annually balanced budget ignores changes in economic trends, and the need for compensatory fiscal policy. It may, moreover, be self-defeating; for example, if it converts recession into a depression and adds to deficits.<sup>20</sup>

<sup>14</sup> An important role in restraining prices must be assigned to the decline in farm prices and income since 1952.

<sup>15</sup> Borrowing is deflationary. It is spending of the sums borrowed, and payment of interest, which may be inflationary. See discussion of "Debt" which follows.

<sup>16</sup> Message on the State of the Union, January 5, 1956. *Congressional Record*, Vol. 102, Pt. 1, p. 140.

<sup>17</sup> "A Ninepenny One," *The Economist*, April 11, 1959, p. 101. See also Edwin L. Dale, "U.S. and Britain Differ on Budget," *The New York Times*, April 4, 1959.

<sup>18</sup> A study by Professor M. Clement found that with a rise in national income of \$10 billion, disposable income could increase by about \$7.2 billion; for a decline of \$10 billion in national income, disposable income would fall by about \$4.9 billion. *The New York Times*, April 1, 1960.

<sup>19</sup> The Committee for Economic Development, comprised of businessmen and economists, has prepared a stabilizing budget plan which emphasizes speed of response to business fluctuations. The plan avoids human error in forecasting economic change and possible delays in making fiscal policy decisions.

Under the plan federal cash expenditures should be related to cash receipts so that a moderate surplus is obtained at times of full employment. By contrast, cash deficits are expected and sanctioned during recession. Committee for Economic Development, "The Stabilizing Budget Policy: What It Is and How It Works," Washington, 1953.

<sup>20</sup> "This concept, which ties tax policies to a balanced budget, runs counter to what we have learned and experienced in recent decades about a sound fiscal policy." Gerhard Colm, *Federal Tax Policy for Economic Growth and Stability*, Joint Committee on the Economic Report, U.S. Congress, Washington, D. C., November 1955, p. 29.

5. If unused resources (labor, materials, plant capacity) exist, government can command these by fiscal policy, with no reduction in the private economy. This can be accomplished by extra public expenditures, which may be financed by taxes, borrowing or the printing of money. If timed right, government may make use of these idle resources through federal spending, and raise the revenue needed by taxation, without withdrawing resources from private hands.<sup>21</sup> The effect is fuller employment of resources, and an addition to the national income equal to the amount of spending.

6. The primary aim of economic policy, of which fiscal policy is part, should be to ensure the growth and stability of the economy, with price stabilization a secondary aim. Professor Alvin Hansen notes:

Periods of rapid growth have usually also been periods of moderate price increases. . . . Economists tend generally to exaggerate the evils of moderate price increases—In this connection, it is well to remember that nothing eats so dangerously into family savings as deflation and unemployment.

On the other hand, such considerable price increases as we have had since the end of World War II have not wiped out family savings. . . . Instead, they have gained 10 per cent in real purchasing power since 1954.<sup>22</sup>

When the President's Council of Economic Advisors recommended in 1959 that price level stability be included among the objectives of the Employment Act, leading economists of the country appeared before Congress in opposition. The reasons given were the possible conflict with the objectives of high employment and rapid growth which they considered paramount.<sup>23</sup> Evidence was introduced to show that the rate of growth of the economy, which averaged 4.7 per cent annually from 1947 to 1952, had slowed to 2.8 per cent from 1952 to 1957. By contrast, the Russian rate of economic growth has been averaging 7 per cent since 1950, while growth rates of Western European economies have also been substantially greater than that of the United States.<sup>24</sup>

### The Problem of Debt

The dogma that sound government finance means an annual balancing of the budget stems largely from the fear of debt.

The common mistake made by the layman is to transfer the feeling of hardship and ruin which personal borrowing and sacrifice to repay may engender, to the national debt. But in the case of the nation, there is no external creditor; literally, "we owe it to ourselves." Likewise, if we add to the national debt, we do not pass the burden on to our children, for if the children repay some of the debt, these same children will also be receiving the payments.<sup>25</sup>

Borrowing itself is deflationary: it is the spending of money by households, business and government—and interest payments on the national debt add to spendable income—which creates inflation. It is the task of government, through appropriate monetary and fiscal policy, to keep total spending in the economy at a level which is high enough to prevent slumps and at the same time low enough to avoid serious inflation.

### Administrative Budget-Making

There is administrative virtue in a balanced budget, in that new programs which require federal expenditures must be evaluated against other demands for governmental spending. Thus pork-barrel proposals, low priority programs, or activities involving waste, must undergo rigorous tests of relative need and efficiency, when government revenues are limited (as they normally are) and there is the additional requirement that the budget be balanced. With these tests, such programs will be curtailed or entirely eliminated, increasing the effectiveness of the governmental programs which survive.

But there are risks in this process. If there has been a decision to balance the budget for fiscal reasons (e.g., fear that a budget deficit may lead to inflation) expenditures may be tailored to fit the receipts, reducing or ex-

<sup>21</sup> This is known as the "balanced budget multiplier" and is deemed effective in achieving full employment near the peak of a cycle. See Trygve Haavelmo, "Multiplier Effects of a Balanced Budget," *Econometrica*, Vol. 13, 1945, pp. 313-4. Also A. H. Hansen, "More on the Multiplier Effects of a Balanced Budget: Comment," *American Economic Review*, Vol. 46, 1956, p. 157.

<sup>22</sup> A. H. Hansen, "Economic Stability and Growth," *Federal Tax Policy for Economic Growth and Stability*, op. cit., p. 19.

<sup>23</sup> Hearings before the Joint Economic Committee on the January 1959 Report of the President, (86th Cong., 1st sess.), Washington, D. C., pp. 195-209.

<sup>24</sup> *Ibid.*, pp. 25-29.

<sup>25</sup> A large national debt does not present any insuperable problems of redistribution of income, or reduction in incentives, or slowing of investment. For a good discussion, see A. P. Lerner, "The Burden of the National Debt," *Employment, Income and Public Policy* (R. Musgrave, ed.), New York, W. W. Norton, 1948.

cluding programs of essentiality. In his testimony before Congress in 1959, Maurice Stans, Director of the Budget Bureau, indicated that this was the procedure followed in preparing the 1960 budget, though he denied that any essential programs had been unduly cut.<sup>26</sup>

### Public Welfare Programs

Since it is considered sound fiscal policy for government to have on hand public works programs which may be carried out in a time of slump, some persons have concluded that new or enlarged welfare programs which require federal spending ought not to be undertaken during a prosperity period. They feel that such programs may divert resources from private use and should be postponed until a recession develops. However, public works programs require some time to get under way and cannot usually be turned on and off in line with changes in business.

Economic prosperity itself generates demands for new public services, e.g., education, recreation, medical care, which it may be essential to satisfy. A good case can be made that the postponement of new investments in education and medical care can endanger national defense, economic growth and general welfare. In addition, the use of high interest rates to curb borrowing has added substantially to costs of homebuilding and rents. Under such circumstances, low interest loans, supported by government guarantees, may be required to keep private building abreast of need. The federal government has already greatly expanded the highway building program to meet the needs created by increased ownership and use of cars. While this involves value judgments, it appears that the national government must also act more vigorously in the areas of housing, health and education.

To place the burden of meeting new educational demands on the states and local governments will not only result in higher costs, e.g., of money, but will retard the satisfaction of the nation's educational needs, since local and state governments do not have the finan-

cial resources required.<sup>27</sup> Since the federal government collects 70 per cent of all taxes, and its share rises as national income grows, it is clear that the new sums needed for welfare programs can only come from the federal treasury.

### Summary

While there is administrative value in a balanced budget in weeding out low priority programs, federal budget balancing must serve the primary goals of government economic policy, namely maximum employment and stable economic growth. Economic theory and fiscal experience indicate the impossibility and absurdity of striving for a budget balanced each year, but conclude that a federal deficit represents a spur to recovery, and that the budget should be balanced, or show a surplus, only at the peak of the cycle, or when full employment has been reached. The present national debt does not imperil the functioning of the economy, nor is it likely to impose any severe restraints, even if greatly increased, on future economic activity.

Economists question the current administrative insistence on a balanced budget. There does not presently exist such a threat of inflation as to call for stifling of federal expenditure at the level of budgetary balance. Indeed, the risks of a restrictive budget policy are more impressive: a slowing down of the rate of economic growth; an unnecessarily high rate of unemployment, with its attendant hardships; inadequate strengthening of education and other public services necessary for continued economic expansion; foisting costs of service programs on state and local budgets already under severe pressure; finally, and perhaps fatally, failure to match the Russian military and economic effort.

<sup>26</sup> "The level of receipts had a great deal to do with the possibilities of balancing the budget. And it was after the economists and the Treasury Department and others had reached a conclusion that we could expect receipts in the general range of \$77 billion that we were able to plan the budget to hold expenditures at that level." Hearings on the 1959 Economic Report of the President, *op. cit.*, p. 64.

<sup>27</sup> It has been estimated that the \$13 billion which went into education in 1957 would have to be doubled by 1965. *Challenge to America: Its Economic and Social Aspects*, Rockefeller Brothers Fund, New York, Doubleday, 1958.

"In a recent year total expenditures in the United States for civilian health and medical services were estimated to be \$14.4 billion, an average of \$94 a person."

—From a *Twentieth Century Fund* report.

*Noting that we have "quietly, almost stealthily, entered a new period which might be termed the Age of Personal Security," this specialist describes the rising public expenditures resulting from "our present trend of transformation into something similar to the British type of state capitalism."*

# Rising Costs of Public Welfare

BY ROBERT E. HILL

*Assistant Professor of Finance, University of Illinois*

A presidential year is one of issues. No exception. 1960. In fact, this election year has to date provided us with food for thought along many lines. In view of the recent collapse of the summit, few now would place any single issue in the present campaign above that of international peace. Nevertheless, such usual "problems" as farm income, corruption in high offices whether political, labor union, or otherwise, and tight money will find a place in the platform of both major political parties.

One item of interest, even concern, will in all likelihood escape serious scrutiny although no issue seems to deserve more thoughtful consideration on the part of every American voter. This is, in the last analysis,

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a budgetary item. At the same time it takes on many of the aspects of a major economic problem which must be given, at least in large part, a noneconomic answer. This is the matter of the annually increasing cost of our welfare programs, coupled with our apparent national acquiescence in the expansion and elaboration, particularly at the federal level, of such programs. In the present election year this subject has quietly, although definitely, become an issue in spite of itself since we, as voters, are becoming somewhat vocal in decrying several of the unavoidable side effects of such welfare programs: inflation, high taxes, and a noted shrinkage in the rights of private property.

Starting with the New Deal, our American economy moved rapidly away from an individualistic society to an organizational system. The new role of the federal arm of the government suddenly burst beyond what had by tradition been accepted as in keeping with the spirit of our Constitution and the founding fathers. In the midst of grinding, demoralizing poverty and a haunting suggestion that American democracy had stagnated perhaps permanently in the wake of a wider destiny, few were found to question the propriety or long-range effects of extensive governmental action. Thus our national government used deficit spending in the main to finance programs of relief, works projects and social welfare. As is indicated by Table I, public debt at the end of 1940 stood at \$48.5 billion. One notes that expenditures for major national security during the same year stood at the rather insignificant figure of \$1.5 billion. Clearly the decade of the 1930's is remembered in terms of our ques



TABLE I  
FEDERAL GOVERNMENT BUDGET RECEIPTS AND EXPENDITURES,  
1929-1960 (Billions of dollars)

Fiscal year	Net Budget Receipts	Net Budget Total	Expenditures Major Nat'l. Security <sup>1</sup>	Budget Surplus (+) or Deficit (-)	Public debt, end of period <sup>2</sup>
1929	3.9	3.1	0.7	+ 0.7	16.9
30	4.1	3.3	.7	+ .7	16.2
31	3.1	3.6	.7	- .5	16.8
32	1.9	4.7	.7	- 2.7	19.5
33	2.0	4.6	.6	- 2.6	22.5
34	3.1	6.7	.5	- 3.6	27.7
35	3.7	6.5	.7	- 2.8	32.8
36	4.1	8.5	.9	- 4.4	38.5
37	5.0	7.8	.9	- 2.8	41.1
38	5.6	6.8	1.0	- 1.2	42.0
39	5.0	8.9	1.1	- 3.9	45.9
40	5.1	9.1	1.5	- 3.9	48.5
41	7.1	13.3	6.0	- 6.2	55.3
42	12.6	34.0	23.9	-21.5	77.0
43	22.0	79.4	63.2	-57.4	140.8
44	43.6	95.1	76.8	-51.4	202.6
45	44.5	98.4	81.3	-53.9	259.1
46	39.8	60.4	43.2	-20.7	269.9
47	39.8	39.0	14.4	+ .8	258.4
48	41.5	33.1	11.8	+ 8.4	252.4
49	37.7	39.5	12.9	- 1.8	252.8
50	36.5	39.6	13.0	- 3.1	257.4
51	47.6	44.1	22.4	+ 3.5	255.3
52	61.4	65.4	44.0	- 4.0	259.2
53	64.8	74.3	50.4	- 9.4	266.1
54	64.7	67.8	46.9	- 3.1	271.3
55	60.4	64.6	40.6	- 4.2	274.4
56	68.2	66.5	40.6	+ 1.6	272.8
57	71.0	69.3	43.2	+ 1.6	270.6
58	69.1	71.9	44.1	- 2.8	276.4
59	68.3	80.7	46.4	-12.4	284.8
60 <sup>3</sup>	78.6	78.4	45.6	+ .2	284.6

Sources: 1929-1957, Historical and Descriptive Supplement to Economic Indicators, USGPO, Washington, 1957; 1958-1960, Economic Indicators, April, 1960, USGPO, Washington, 1960.

<sup>1</sup> Based on the classification of "Major National Security" in the *Budget of the United States Government for the Fiscal Year Ending June 30, 1955*. This classification includes the military functions of the Department of Defense (including the Coast Guard from 1941 to 1946), the military assistance portion of the mutual security program, development and control of atomic energy, stockpiling and defense production expansion. Several activities closely related to national security are excluded; as a result, figures for war years probably understate war expenditures significantly.

<sup>2</sup> Includes guaranteed securities, except those held by the Treasury. Not all of the total shown is subject to the statutory debt limitation.

<sup>3</sup> Estimates.

for intra-national security. The issue for presidential and lesser aspirants was, in that eventful decade, very clear.

The Great Depression did not end. It disappeared into the mobilization that followed Hitler's march into Poland. Lend-lease was followed by mobilization which was followed very swiftly by global war. Referring again to Table I, a second set of influences on the issue under consideration may be found in the years 1941 through 1946. During these tragic years of full-scale war federal expenditures far exceeded receipts in keeping with the nation's unwillingness to pursue the war on a pay-as-you-go basis. The public debt increased nearly six-fold despite a remarkably vigorous national cooperation in virtually all aspects of the pursuit of the war. Again, the issue was clear. Extra-national security could not and would not be compromised.

The years 1947 through 1953 marked a period of frustration and confusion for the issue under consideration. The post-World War II years failed to produce an economic slump or the widespread unemployment which was expected with the release of millions of servicemen and a female labor force which refused, in large measure, to accept repatriation to the kitchen and the laundry. The American labor force as such suddenly reawakened to its own economic and political prowess. The pent-up demand of the long years of war now refused to be satisfied. It was here to stay.

### Confusion and War

During this same period of confusion America again went to war. This, however, was a "pleasant" war for most, and its effect on the home front was largely felt in the pocketbook rather than the heart. The lesson learned in these years had to do with our tremendous ability to be an effective international power and at the same time to remain the world's wealthiest society. This lesson had not been provided in any way by World War II because the balance of power, at least in the early years of the War, was difficult to determine. The struggle for existence in the first case had given way to a token struggle for someone else's existence in the latter case. There is, fundamentally, a great deal of difference in the two struggles.

At the close of this confusing period our

federal debt was some \$3 billion less than it had been in 1947. Annual expenditures for major national security, however, stood at some \$50 billion. Now the issue seemed only somewhat clear. The national security could and would be preserved, but at an annual cost which was destined to remain at an unprecedented height. The national economy, in terms of sheer performance, held forth the promise of high and sustained employment and prosperity (underwritten, as an extra measure of precaution, by the Employment Act of 1946). But extra-national and intra-national security were no longer sufficient for our affluent American society. We had quietly, almost stealthily, entered a new period which might be termed the Age of Personal Security.

### The Age of Personal Security

The years 1954 through 1959 were years of records heaped upon records insofar as our national prosperity was concerned. However, they also were years in which our wealth and its dimensions assumed a new significance for individuals. In the first place, these eventful years brought sharply into focus the serious problem of inflation in our economy. For the first time, perhaps, individuals began to understand that inflation is really a personal thing, since it ultimately may destroy the value of an individual's assets, thereby increasing his need for personal security, however and wherever provided. In the second place, these years made many Americans highly tax conscious. For some reason or other tax dollars seemed constantly in demand by some agency or government, and the old cliché about "never being so well off as when you are paying high taxes" wore a bit thin as a barbershop conversation piece.

Thirdly, during these years many individuals became contract conscious as never before, and for a variety of reasons. For example, minor economic crises were often identified with the finish and start of a labor contract. Stockholders' fortunes rose and fell in selected industries with government contracts of various types. Paycheck stubs became hopelessly complicated as receivers recognized that a goodly portion of an individual's right to spend his earnings was each week preempted by contractual obligation.

of various origins, although mainly of a welfare nature.

Despite all of this Mr. Average American Citizen, in the final years of the last decade, became the envy of his counterpart in virtually every other nation of the world. Fully employed, possessed of more of the world's goods than seemed possible to his foreign cousins, entitled to abundant security from both public and private sources, he had only to await an early and healthy retirement. Where, then, is this so-called issue and of what does it consist?

Federal government expenditures can be easily separated into national security and non-national security categories. Obviously, the first category includes such spending as is required for the armed forces, atomic energy programs, the stock piling of essential materials and our mutual security programs. Their "non-productive" characteristics make many of these expenditures inflationary in our American economy. However, our basic desire for life in a state of peace makes these expenditures, which are estimated at \$45.6 billion in fiscal 1960, an issue in the present presidential campaign only as some argue that they are excessive in certain aspects or far short of what is needed for a major effort to wage peace in the coming decade.

Among the non-national security expenditures of our federal government several in the welfare category are outstanding. Their diverse natures, to say nothing of their annual cost, call for a full reappraisal in this presidential year. For example, the item of social security and special welfare services accounted for \$9,800 millions of Federal government expenditures in 1956, \$11,982 millions in 1957, and \$15,797 millions in 1958. (Presently available estimates for 1959 place this figure slightly in excess of that for the previous year.) Included in this category of rising annual outlays are expenditures for public assistance and relief, unemployment benefits of various types, old age and retirement benefits, and miscellaneous other forms of welfare grants. It has been conservatively estimated that the basic expenditures for old age and survivor insurance payments alone will amount to more than \$16 billion by 1970. This figure is based on Department of Health, Education and Welfare estimates

which include the expanded programs covered in the 1958 amendments to the Social Security Act. It is further expected that recipients of benefits under the Act will increase during the present decade to more than 14 million persons, receiving average benefits of approximately \$1,100. This latter figure is calculated to include the expected increase in the number of our senior citizens and in the average benefit of each of some 2.5 per cent per year over the coming ten year period.

Federal expenditures for unemployment benefits as a part of the above figures stood at \$1,470 million in 1956, \$1,848 million in 1957, \$4,171 million in 1958, and approximately \$2,500 million in 1959. The National Planning Association has projected this expenditure figure to 1970, estimating that basic expenditures for unemployment insurance benefits will stand at slightly less than \$2 billion in 1970. They base their estimate on an expected unemployment rate of 2.5 million annually. At the same time the estimate also assumes an increase in the number of persons in the labor force covered by unemployment insurance, no change in the average weeks of unemployment, and an annual increase in average benefit payments of some 1.5 per cent.<sup>1</sup>

One other aspect of present expenditures for welfare programs deserves mention. These are the veterans services and benefits which include education, pensions, insurance and hospitals and medical care. While we consider these costs as an extension of those direct costs of waging war which are not and cannot be paid for during the period of conflict, we should perhaps reconsider a number of aspects of these various payments with an eye to cutting them where feasible and where such cuts would not visit undue hardships on disabled persons and their families, or the families of survivors. For example, the N.P.A. estimate cited above finds that the American government in 1970 will spend some \$5 billion annually for veteran pensions payments alone. This estimate is based on 1955 legislation, and it implies an increase over the decade of approximately three per cent. It will be recalled that legislation in

<sup>1</sup> National Planning Association, *Long-Range Projection for Economic Growth*, A Staff Report, No. 107, Washington, D.C., 1959.

1959 further liberalized these benefit payments, and so the estimate is in all likelihood too conservative to be realistic.

#### Future Government Role

Further evidence of our national acquiescence in the expansion of the role of the federal government in our private lives is abundant in this presidential year. A study of the breakdown of federal government expenditures shows large and growing commitments to education at the elementary and secondary levels and beyond, for transportation facilities of all types, for housing and community redevelopment, for public utility services, and for diverse agricultural programs. Given a continuance of our present trend of transformation into something similar to the British type of state capitalism, these expenditures have earned a permanent place in the federal budget and must be regarded as welfare programs which tend further to close the gap between emergency relief and aid of the variety we wanted in the 1930's and complete state socialism which we may realize in the 1970's, or the 1980's, or sometime.

Most people would agree that our changing economic system has not to date endan-

gered to any serious extent our basic personal freedom. Therefore the issue in this presidential year must be regarded as an issue in spite of itself. Nevertheless, rightly or wrongly, each generation reasons from a slightly modified set of personal values and ideals. Specifically, the growing cost of our federal (to say nothing of state and local) welfare programs begins to create in the minds of many a cleavage of desires in the advanced age of personal security.

The common denominator is cost, which is best seen as a budgetary item. The personal economics of higher taxes, lower dollar purchasing power, increasing cost of the governmental bureaucracy, and the suggestion that the changes in our economic system may affect the trend in our rate of economic growth all appear on one side for consideration. On the other side is our personal desire for more and more of the welfare-type of security.

The issue is perhaps clear. Its resolution will probably await the arrival of some delicate point of balance at which an additional increment of "costs" in the form of taxes and inflation equals the assessed "value" of the additional welfare and personal security purchased.

(continued from p. 27)

Fund would be sufficient to meet temporary balance of payments problems but the trade imbalances (the dollar shortages) were too great after World War II. Since the Fund was initially supported by a Democratic Administration and since this increase in capital subscription in 1959 came during a Republican Administration, there would seem to be some precedent for enlarging the functions of the Fund. The danger may be that the change would be too late or too small to do

the world monetary job of the 1960's. Furthermore it would take a great deal of political work to convince Congress that the United States should give up large additional quantities of its gold in order to have an international agency establish a world monetary unit to which the dollar would be tied. It seems too late for the Eisenhower administration to tackle such a bold step, and it is too early to predict what the next administration might do.

"It is important that we be clear and realize that the reason why education must be concerned with the exploration and transmission of values is not because we have suddenly found them essential to motivate the pursuit of excellence. . . . Education always had this responsibility to values because, in the words of Jean Paul Sartre, 'Man is condemned to be free.' This is merely a modern way of saying that freedom imposes an inescapable responsibility upon man to decide what he will do with his freedom."

—Michael P. Walsh, S. J., President, Boston College, in an address delivered on April 9, 1960.



## Received At Our Desk

### American Politics

This is a summer for politics in the United States, and the growing stacks of new books will test the public interest. Among studies of leading contenders, *The Kennedy Family*, by Joseph F. Dinneen, makes a case for the competence and background of Senator Jack and his whole family. We learn that all the Kennedys "were encouraged by both parents to be rugged individualists, to think for themselves, to stand by their convictions and to be completely independent, to stand together as brothers and sisters but to hold to their opinions even against each other." When a Washington reporter went to Boston to look for "unfavorable material" about at least one of the Kennedys, he was told by a local editor: "They were trained not to make mistakes. They don't drink. They don't gamble. . . . They went to the right schools and colleges. They met the right people. They were in the war. They did the right thing by God and country. They married the right men or women. They're all up to their ears in charities and philanthropies. How can you knock them?"

While not intending to knock the Kennedys, we sympathize somewhat with the re-

porter who looked for something to make these perfect people seem human. Other interesting threads in Dinneen's study deal with the history of the Irish in Boston, their adoption of the Brahmin ways, and their current eclipse by the newcomer Italian immigrants. The story of Curley's rise to political power in Massachusetts is part of the Kennedy story also.

All that Dinneen does for the Kennedys, Ralph de Toledano does for Richard Nixon in a revised and expanded edition of *Nixon*, an "authoritative biography." Toledano rings all the changes on his main theme: "Nixon represents an American phenomenon." He is, we learn, "as indigenous as an Indian fighter, as characteristic as a covered wagon, as unpretentious as apple pie." Like Kennedy, Nixon draws great strength and popular appeal from his family; unlike the Kennedys, the Nixons were "grass roots Americans, farmers who worked the soil and drew their living from it." In the pages of Toledano's book we meet a personable, honest, courageous Nixon, who persecuted Hiss out of deep conviction at a time when this was unpopular, who has been Eisenhower's ambassador all over the world, who has campaigned as a Republican and a conservative.

Both Nixon and Kennedy have been concerned about the money required to stay in public office. The Kennedy family is very rich indeed. As Dinneen points out: "The sons and daughters of Joseph P. Kennedy are not interested in money per se. Each is a millionaire; their father saw to that years ago when he set up trust funds in their names."

Not so the Nixons. The issue of money arose early in Richard Nixon's political career, when it was discovered that his California constituents had raised a fund of \$18,000 to help him with political expenses. Defending his position in front of the television camera, Nixon noted that it was "fine that a man like Governor Stevenson who inherited a fortune from his father can run

THE KENNEDY FAMILY. By JOSEPH F. DINNEEN. (Boston: Little Brown, 1959. 238 pages, \$3.95.)

NIXON. A BIOGRAPHY. By RALPH DE TOLEDANO. (New York: Duell, Sloan and Pearce, 1960. 244 pages and index, \$3.95.)

THE COSTS OF DEMOCRACY. By ALEXANDER HEARD. (Chapel Hill: University of North Carolina Press, 1960. 471 pages and index, \$6.00.)

THE REPUBLICAN PARTY AND WENDELL WILLKIE. By DONALD BRUCE JOHNSON. (Urbana: University of Illinois Press, 1960. 326 pages, bibliography and index, \$5.50.)

PRESIDENTIAL POWER. THE POLITICS OF LEADERSHIP. By RICHARD E. NEUSTADT. (New York: John Wiley, 1960. 195 pages, notes and index, \$5.95.)

INTELLIGENCE AND DEMOCRATIC ACTION. By FRANK H. KNIGHT. (Cambridge: Harvard University Press, 1960. 172 pages and index, \$3.75.)

THE CHARM OF POLITICS. By R. H. S. CROSSMAN. (New York: Harper and Brothers, 1960. 243 pages, \$4.00.)

for President." But he believed that the American people wanted a man of modest means to have a chance also.

This whole question of campaign finance is carefully detailed in Alexander Heard's study of *The Costs of Democracy*. "Does Money Win Elections?" asks Heard in his introductory chapter, "Money in Politics." Although he points out that "The attic of history is overflowing with recollections of the decisive importance of cash in ancient successes at the polls," he notes that "the effects of most campaign spending are neither so visible nor so certain. . . ." As Heard reads the record, "Despite a general financial inferiority, it cannot be argued convincingly that the Democratic party has lost a single presidential election in the twentieth century for want of funds." Those who have followed the decisive primaries of 1960 will be particularly interested in his contention that "The effect of money in politics is probably more certain in determining who the candidates will be than in determining the outcome of elections." This lengthy critique is carefully documented and highly informative.

Past presidents and historic campaigns have come in for their share of studies in this election year. *The Republican Party and Wendell Willkie*, by Donald Bruce Johnson, makes a scholarly contribution to the literature on American politics. In the words of the author, he has tried to analyze "the performance of the GOP primarily as reflected in the words and actions of Wendell Willkie and his contemporaries during a crucial and formative period in American history." Viewing Willkie as "the most unique phenomenon of American politics in the twentieth century," Johnson takes the reader back to the days of the New Deal, to the campaign of 1940, and through the days of Willkie's "New Republicanism." His study is scholarly and carefully annotated.

Another study that takes the reader back through American history is Richard Neustadt's *Presidential Power: The Politics of Leadership*. In this brief volume, Neustadt studies "personal power and its politics: what it is, how to get it, how to keep it, how to use it." "My interest," he writes, "is in what a President can do to make his own will felt within his own Administration. . . ."

A most interesting passage compares various presidents in office, particularly Franklin Roosevelt and Dwight Eisenhower.

Neustadt's word picture of Roosevelt is vivid: "No President in this century has had a sharper sense of personal power, a sense of what it is and where it comes from; none has had more hunger for it, few have had more use for it, and only one or two could match his faith in his own competence to use it. Perception and desire and self-confidence, combined, produced their own reward. No modern President has been more nearly master in the White House." Neustadt adds that "Roosevelt had a love affair with power in that place."

Eisenhower was a very different sort of person and was unable to use the power of the presidency so effectively. Why? As Neustadt sees the difference: "Roosevelt was a politician seeking personal power; Eisenhower was a hero seeking national unity. He came to crown a reputation, not to make one. . . . His love was not for power but for duty—and for status. Naturally, the thing he did not seek he did not often find." This study is a most valuable addition to an understanding of the political process.

*Intelligence and Democratic Action* is a collection of lectures delivered in 1958 by Frank H. Knight at the University of Virginia. "Can the Mind Solve the Problems Raised by its Liberation?" is a chapter perhaps of special interest in an election year. Knight has already made it clear that "government by the people is . . . an ideal, not to say a somewhat figurative expression. . . . Modern society is largely a tissue of agency relations; in consequence of specialization, especially of knowledge, some people make decisions for other people, and give them directions amounting to commands." This is where intelligence comes in. "If free society is to persist, or improve, the people must learn that problems are to be solved only by intelligent agreement through genuine free discussion. . . ." Hardly a new thought, but well-written.

*The Charm of Politics*, by British parliament member R. H. S. Crossman, ranges far and wide in the field of recent history, from Chaim Weizmann to Hitler. Crossman profiles politicians and pundits; he dips back into the Hitler era and "The Ethics of Ex-

termination"; he writes of treason on both sides of the Atlantic. A clever pen offers fascinating reading.

### History and Politics

**THE POLITICAL ECONOMY OF NATIONAL SECURITY.** By JAMES R. SCHLESINGER. (New York: Frederick A. Praeger, 1960. 268 pages, notes and index, \$5.00.)

"National security," writes James Schlesinger, "is the problem of our age. By its very nature, economic analysis is intimately related to the broader issues of strategy." As he views economics, this discipline is concerned "with the disposal of scarce resources"; economics is the science which studies human behavior as a relationship between ends and scarce means that have alternate uses."

Economic war potentials are certainly meaningful considerations for the strategist. But Schlesinger warns that "a doctrine stating that the economic potentials of the several states, measured in accordance with a scale of national production, provide the ultimate determinant of power, can be quite comforting to a nation that possesses approximately one-third of the world's productive capacity." He analyzes this doctrine in terms of its strengths and its weaknesses and underlines the dangers of spurious or pseudo economics. After a thorough study of the gross national product and its allocation, economic capacity, budgetary planning, the role of international trade, Russian economic progress, and the problems of the underdeveloped areas, he pleads for "Common Sense in the Contemporary Power Struggle." "... The doctrine of economic potential has been used to provide reassurance to the nation that reduction of our force objectives in the interests of economy will add to our security." But he maintains that "The facts prove otherwise. . . ."

As he sums up the problem we face: "We cannot impose artificial limits on military expenditures. The foreign policy and the military posture of this nation are integral parts of the defense of our free institutions. Under no circumstances will they survive unless defense expenditures

are adequate or more than adequate." The student of military strategy and of economics will find this study extremely useful. Much of its content formed a series of lectures by the author at the Naval War College in 1957.

**THE LEGACY OF IMPERIALISM.** ESSAYS BY BARBARA WARD, THOMAS P. WHITNEY, ROBERT STRAUSS-HUPE, AND CHARLES MALIK. (Pittsburgh: Chatham College, 1960. 94 pages, \$2.00.)

These essays were originally presented in the spring of 1959 in the Chatham Chapel. All four essays deal with the inter-relationship and interdependence of the more developed nations with the underdeveloped ones.

Writing of "Economic Imperialism and Its Aftermath," Barbara Ward declares that the advanced countries must help the rest of the world to modernize: "The West has thus a direct interest—the interest of surviving in freedom—in the fateful evolution of the emergent world in this present post-imperial epoch. The importance of following up the closing phase of Western domination with a phase of Western support and encouragement is only equalled by the ease with which the task could be accomplished. Today in the Western world, thanks in part to the long lead created by nearly two hundred years of worldwide economic domination, resources are available as never before. . . . To devise over the next four decades a . . . policy to bring the emergent lands up to a point of self-sustaining growth—the point, in short, at which they can save for themselves—would demand no more than an annual expenditure of one per cent of the West's rising national income."

Thomas P. Whitney, discussing "Russian Imperialism Today," warns that the ideas propagated by Communist ideology, the tight organizational structure of national Communist parties, and the success of Soviet modernization "... constitute a powerful force of attraction for many in underdeveloped countries to communism and a powerful cohesive force for the movement itself, including the Communist bloc of nations." Furthermore, Whitney continues, "In these things lies the real

difference between Russian or Soviet imperialism and the older imperialisms of the past and present."

Imperialism, and Colonialism in the Far East, continues Robert Strausz-Hupe, has created much resentment for the Western powers. The "Asian peoples" must work with the West in combating "Chinese expansionism and neo-colonialism"—that is "the real present danger to the free peoples of the Far East as well as those of the rest of Asia." "... The time has come," Dr. Strausz-Hupe asserts, "when the peoples of Asia must, for their own safety, turn their back upon the era of Western colonialism and rid themselves of the sickly fear that the Western peoples will seek to turn the clock back to the 19th century."

Charles Malik in his concluding essay on "Independence: Reality and Myth" views the "whole movement of imperial disintegration" as taking a positive shape in an effort to redress the balance of power and offset the cold war. "There will never come a time when there will not be more developed and less developed and when the less developed will not need and therefore will not depend upon the more developed. Therefore there will never come a time when there will not be intimate associations between the less developed and the more developed, whether these associations are called empires or by any other name. . . . The task of statesmanship is to humanize the inevitable interdependence and to base it on justice, truth and nature."

It is of interest to note that each of the authors has stressed that "unless independence passes into interdependence, it remains a myth." The authors of this slender volume are united in their fear of Communist expansion. As Malik has expressed it, "... People have been crusading for independence from the West but hardly a voice is raised for independence from the East. The old colonialism is practically liquidated, but what about the new and expanding imperialism of the Communists? . . ."

These four essays have carefully examined imperialist trends—the theme of the book. Each is a profound examination

of the circumstances and political forces shaping the present world. Each author envisages Western cooperation with the emerging nations of Asia, Africa and Latin America as a necessary concomitant for a peaceful world.

#### ENERGY AND MAN. A SYMPOSIUM.

By ALLAN NEVINS, ROBERT C. DUNLOP, EDWARD TELLER, EDWARD S. MASON, HERBERT HOOVER, JR. (New York: Appleton-Century-Crofts, Inc., 1960. 113 pages, \$3.75.)

This is a collection of papers presented at a symposium at Columbia University in 1959 sponsored by the American Petroleum Institute and Columbia's Graduate School of Business. Titles of the papers are: "Energy in the History of Western Man," "The Petroleum Revolution," "Energy Patterns of the Future," "Low Cost and Abundant Energy" and "Energy and Public Affairs." At the close of each address, questions were asked and the questions and answers are reprinted here also. What energy—particularly oil resources—means to the United States is the underlying theme of this small volume.

#### OF MICE, MEN AND MOLECULES.

By JOHN H. HELLER. (New York: Charles Scribner's Sons, 1960. 176 pages, \$3.95.)

Founder of the New England Institute for Medical Research in Ridgefield, Connecticut, John Heller is passionately convinced of the need for more basic research on fundamental medical problems. The same passionate conviction that led him to start the New England Institute in a room of his home fires this plea to the American public for support of pure medical study. In language that any layman can understand, Heller tells the reader that "you, and others like you, have it within your power . . . to prevent much of the personal anguish and tragedy that disease now brings. . . . Those of us in basic research cannot help wondering at the strange contrast of a free people insisting upon their rights to political freedom and at the same time submitting meekly to crippling physical maladies."



Scientific mysteries yet to be solved are described so the layman can begin to see the problems for the researcher; his role in their solution is to offer financial support and to insist that society offer financial support for basic medical research. Vannevar Bush introduces Heller's theme in his introduction to this book: "The advances being made, and there are many of them, in understanding the complex processes by which organisms evolve and function are far more exciting to me than shooting at the moon. And they are far more important for the future health, security and happiness of all peoples."

**THE DEATH OF AFRICA.** BY PETER RITNER. (New York: The Macmillan Company, 1960. 312 pages and index, \$4.95.)

From West Africa to the more exotic East ("the great 'King Solomon's Mines' Africa") to the tip of the Union of South Africa and into the interior, Peter Ritner offers the reader an entertaining introduction to this richly varied continent. He has many things to say and he says them all well.

The focus of the book is on the political, social and economic upheaval striking discordant and troubled notes through much of Africa. Ritner diagnoses Africa's problems as arising from the growth of modern, urban areas. "... 'Urbanization' is the hateful font from which flow all the malevolent disruptions which are killing the best things of the old Africa and wrecking the promise of the new Africa. But, of course, nothing is so clear as that 'urbanization' is the New Africa—and despite the shocking appearance on the scene of the unmanageable mass miseries which are implicit in it, one might as well try to check the surge of man into space as the growth of these cities. To control the cities of Africa, indeed, is to control Africa; but to control these cities one must keep them at work."

Consequently, there is competition for capital among the developing African states. The author urges that the United States establish an Institute of African Affairs that will guide, among its other

functions, the investment of American capital, both private and governmental, in Africa. "What we must do is to step into Africa and break, by main force, the mighty vicious circle of 'pauperization' and social disintegration, by planting in Africa—as surgeons plant tiny seeds of skin all over a badly burned chest—the mechanisms and installations that can then begin to run by themselves and weave into a sound social fabric. This . . . 'social mutation' . . . [is] the only hope of saving the underdeveloped regions of the world from chaos, and it is up to us to engineer this mutation."

Capturing the rhythm of the continent with a prose style unembellished by ambiguities and onerous generalizations, Mr. Ritner gives a clear, sharp picture of the primary defect besetting sub-Saharan Africa: economic and political instability. "In short, that aggrandizement of man's physical and mental powers which goes by the name of the Technological Revolution has come to Africa with a vengeance, and the bulk of Africans rejoice in it—or, at least, in the cosmetic side-effects now on view on their horizons." Asserting that "the phasing of the historical process" has been speeded up in Africa, the author concludes that "Africa has had to absorb the implications of the germicidal properties of boiling water and of nuclear fission roughly within the same generation—and her political education has been similarly compressed."

The book is a brilliant example of analytical writing on a subject of concern to all the world. Covering both the political forces and leaders in each country, this study adds depth to one's knowledge of a very complex continent.

**AMERICA CHALLENGED.** BY WILLIAM O. DOUGLAS. (Princeton: Princeton University Press, 1960. 74 pages, \$2.50.)

This small volume originated as the Walter E. Edge Lectures in Public and International Affairs. The first section of the book, "The Individual and the Crowd," deals with the conformity and uniformity of society. Associate Justice of the Supreme Court Douglas reasserts the need for independent thought and in-

dividual leadership. He criticizes sharply the cessation of controversial airing of issues and charges that "... we have tended to reach the lowest common denominator of acceptable viewpoints on social and political issues."

Discussing competition among individuals and among ideas, he concludes this first essay with an evaluation of Soviet-United States rivalry. Capitalist societies have become collectivistic while Russia has adopted some capitalistic practices. "I doubt whether either system, the communist or our own, has ceased to evolve. The ultimate issue will be which form of collective society will allow greater scope for individual freedom and the exercise of the individual's mind and talents."

"The Nation and the World" is the title of the second essay. Justice Douglas recommends greater cooperation between the U.S. and the Soviet Union: "There are many areas in which Russia's self-interest will be found identical to ours." Continuing in this vein, Douglas views the cold war as a long term process ("Time alone will erode the passion for making all faiths bow to the communist will"). The solution lies in promoting Russia's role "as a peacemaker in Asia." Perhaps the Justice will follow up this point in a later book.

**ABRAHAM LINCOLN GOES TO NEW YORK.** BY ANDREW A. FREEMAN. (New York: Coward-McCann, Inc., 1960. Photographs. 160 pages, sources, notes and index, \$3.95.)

This book reconstructs Abraham Lincoln's three day visit to New York City ("two months and twenty-three days" later he was nominated the Republican presidential candidate) in February, 1860. The details of Lincoln's visit to New York center around the deliverance of his Cooper Union address. According to Mr. Freeman's interpretation, it was this speech which gave Lincoln equal stature with Seward as an opponent of slavery. The speech brought him credence and respectability in the eastern sector of his party. His Cooper Union address led to other invitations, and Lincoln gave nine other speeches in a 12-day

period in New England before returning home. Thus, the Cooper Union speech was a critical stage in Lincoln's winning the presidential nomination.

Andrew Freeman has presented an unusual study—an historical miniature that has much to recommend it in charm and insight.

**BRAZILIAN ADVENTURE.** BY PETE FLEMING. (New York: Charles Scribner's Sons, 1960. 412 pages, \$5.00.)

This story by Peter Fleming is the reissue of a book first published in 1934, an eventful and amusing account of an unsuccessful search for a lost explorer, Colonel P. H. Fawcett. The Matto Grosso, the vast central plateau of Brazil, is the scene for most of the search. Local revelation, floods, incompetent leadership characterized a futile and pointless trip preserved in history not because of its accomplishments but because of this lively prose account of its bumbling.

**KARIBA.** BY FRANK CLEMENTS. (New York: G. P. Putnam's Sons, 1960. Illustrated. 233 pages with index, \$3.95.)

A free lance journalist living in Southern Rhodesia, Frank Clements has written of the construction of the giant dam in the Kariba Gorge of the mighty Zambesi River. Floods, perhaps showing the displeasure of the ancient gods of Africa hampered the work in two successive years. The remote, almost inaccessible region of the construction site made the dam even more of a technological miracle. Once the dam was completed and the great lake, 175 miles long, began to spread out, one of the greatest animal rescue operations in history was performed by professional conservation men and volunteers. Poisonous snakes, giraffes, lions—all were saved wherever possible. The illustrations of dam construction and animal rescue operations add immeasurably to the interest of the story.

**NEPAL.** BY PRADYUMNA P. KARAN. (Lexington: University of Kentucky Press, 1960. 94 outsized pages, plates, charts, bibliographical notes, \$10.00.)

Maps of all sorts, 60 photographs and

varied charts add to the value of this first published geography of Nepal. This book grew out of the author's travels in Nepal, where he photographed most of the area from a light airplane with a 35-millimeter camera. The text includes studies of the historical and political background of the country, the diversity of population, land use, public health, raw material resources and problems of trade and transportation. For student use, for a generally informative view of a little-known area, and for the attractiveness of its maps and photographs, this study is highly recommended. Mr. Karan is a well-known author and a member of the University of Kentucky faculty.

**EAST WIND RISING.** BY RELMAN MORIN. (New York: Alfred Knopf, 1960. 359 pages and index, \$5.00.)

Tracing the story of United States relations with Japan from the California exclusion policies of the 1920's to Pearl Harbor, this foreign correspondent describes the slow deterioration in American-Japanese friendship that led to war. "Race prejudice, particularly if you grow up in an atmosphere of it, is an odorless, colorless poison gas." This prejudice, which led to passage of the Exclusion Act, planted the seeds for later hostility. Morin sees the story of Japanese antagonism partly in Japanese terms. "Much of the story of the Far East in the past one hundred years or more turns on two words—human dignity. Nationalism, the desire for self-development, and Communist maneuvers all played a part. But the most powerful force was the determination of the Oriental to be accorded human dignity."

Relman Morin lived for years in the Far East and his material is fresh and vivid in the telling. Although he sees the mistakes made by Americans and other Westerners, Morin sees also the advantages they brought to the Orient.

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**THE POLITICS OF THE DEVELOPING AREAS.** EDITED BY GABRIEL A. ALMOND AND JAMES S. COLEMAN. (Princeton:

Princeton University Press, 1960. 591 pages, appendix and index, \$10.00.)

"This book sets out to do two things. The first is to construct a theoretical framework that makes possible, for the first time, a cooperative method of analysis for political systems of all kinds. The second is to offer a comparative analysis of the political systems of those areas of the world in which dramatic social and political changes are taking place—Asia, Africa, and Latin America." The six contributors explore new approaches to the study of the governments and political systems of underdeveloped countries. Their aim is "to improve our capacity for explaining and predicting the directions of political change, and in particular the prospects of democratic modernization in these areas."

In a lengthy introductory essay, Gabriel A. Almond develops a conceptual framework within which different political systems may be studied. Succeeding essays utilize many of his functional categories. They are uniformly excellent. Utilizing the latest tools of political analysis, they provide a wealth of information, a comparative picture of culturally related countries, and a promising format for predictability. The following chapters are included. "The Politics of Southeast Asia" by Lucian W. Pye; "The Politics of South Asia" by Myron Weiner; "The Politics of Sub-Saharan Africa" by James S. Coleman; "The Politics of the Near East" by Dankwart A. Rustow; and "The Politics of Latin America" by George I. Blanksten.

In the concluding essay, Dr. Coleman isolates three factors common to most of the 75 countries covered. "One is the 'mixed' character of their social, economic, and political processes. Most of the countries are still overwhelmingly rural; the majority of the populations are illiterate. Per capita income in these countries remains very low. . . ." "A second common feature of these societies is their lack of integration. This is due in part to the ethnic, religious, racial and cultural pluralism characteristic of these societies, in part to the limited and uneven operation of the processes of modernity. The critical fact, however, is not that these societies are

pluralistic—pluralism is one of the key attributes of most modern societies—but that interests still tend to be defined predominantly in terms of tribe, race, religion, or communal reference group. . . .” “A third modal characteristic is the wide gap which exists between the traditional mass and the essentially modern subsociety of the westernized elite.”

This is an outstanding work which will yield a rich harvest to student and specialist. It typifies the best of those experimenting with new tools of political analysis.

ALVIN Z. RUBINSTEIN  
University of Pennsylvania

**THE POLITICS OF SOVIET EDUCATION.** EDITED BY GEORGE Z. F. BEREDAY AND JAAN PENNAR. (New York: Frederick A. Praeger, 1960. 217 pages, \$6.00.)

When the Soviets successfully launched the first satellite in October, 1956, they inadvertently induced a far-reaching inquiry by the West into the reasons for Soviet technological advances. One area which came under particular scrutiny was Soviet education. This collection of eleven essays discusses a variety of areas pertaining to Soviet education with the emphasis on “the social circumstances amidst which education takes place and which permeate it.” Though the quality and value of the essays varies greatly—a typical situation in a work of this character—all the articles are of general interest. A few may be noted: “A General View of Soviet Education” by Ramazan Karca; “Polytechnical Education and the New Soviet School Reforms” by Richard V. Rapacz; “Party Control Over Soviet Schools” by Jaan Pennar; and “Some Sociological Perspectives on Soviet Education: Selection and Training for Advanced Studies” by Mark G. Field.

The inefficiencies and weaknesses of the Soviet system of education are carefully developed, as are its strengths. One has the impression that most of the contributors would agree with Dr. Field’s conclusion that, on the whole, “the trend is toward better, more rational selection and

training of personnel. In the nature of a modern industrial society, and of the Soviet system particularly, this trend has at least two important implications and components: (1) From the viewpoint of Soviet society as a functioning system, means a better selection from a wider social base of intelligent individuals potentially capable of solving the problems of science and technology the system faces today and is bound to face in the future. (2) From the ideological viewpoint, brings again to the fore considerations of equality of opportunity and democracy and may thus help reverse the drift toward increased stratification, solidification of class lines, the inheritance of status, and its corollary of closure. It thus helps remove certain ideological inconsistencies and contradictions and can only contribute to a strengthening of the system.”

The editors have performed a useful service by bringing together these essays. But one wonders why the publishers have placed so high a tariff on so slender a volume. A.Z.R.

**THE POPULATION EXPLOSION AND CHRISTIAN RESPONSIBILITY.** BY RICHARD M. FAGLEY. (New York: Oxford University Press, 1960. 260 pages, appendix and index, \$4.25.)

The economic and political consequences of the “population explosion” in the underdeveloped world have been receiving increasing attention by social scientists. This analytical survey, by a Protestant clergyman, deals with “the dilemma posed by the new pressures of population and the need for a more widely held and vigorously supported Christian doctrine of responsible parenthood.” It analyzes the growing concern of the church, the inability of governments to handle the problem, and the obstacles involved.

In his early chapters, the author traces the “causes and consequences of the population explosion and examines the various ‘ways out.’” The bulk of the study focuses on the attitudes and policies of the three main branches of Christianity: Eastern

(continued on p. 52)



# Current Documents

## THE CIVIL RIGHTS ACT OF 1960

After months of argument, negotiation and compromise, Congress finally passed a moderate civil rights bill on April 21, 1960, and the President signed it May 6. The complete text of the measure follows:

### AN ACT

To enforce constitutional rights, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that this Act may be cited as the "Civil Rights Act of 1960."

### TITLE I

#### Obstruction of Court Orders

SEC. 101. Chapter 73 of title 18, United States Code, is amended by adding at the end thereof a new section as follows:

"§1509. Obstruction of court orders.

"Whoever, by threats or force, willfully prevents, obstructs, impedes, or interferes with, or willfully attempts to prevent, obstruct, impede, or interfere with, the due exercise of rights or the performance of duties under any order, judgment, or decree of a court of the United States, shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

"No injunctive or other civil relief against the conduct made criminal by this section shall be denied on the ground that such conduct is a crime."

SEC. 102. The analysis of chapter 73 of such title is amended by adding at the end thereof the following:

"1509. Obstruction of court orders."

### TITLE II

Flight to avoid prosecution for damaging or destroying any building or other real or personal property and, illegal transportation, use or possession of explosives; and, threats or false information concerning attempts to

damage or destroy real or personal property by fire or explosives.

SEC. 201. Chapter 49 of title 18, United States Code, is amended by adding at the end thereof a new section as follows:

"§1074. Flight to avoid prosecution for damaging or destroying any building or other real or personal property.

"(a) Whoever moves or travels in interstate or foreign commerce with intent either (1) to avoid prosecution, or custody, or confinement after conviction, under the laws of the place from which he flees, for willfully attempting to or damaging or destroying by fire or explosive any building, structure, facility, vehicle, dwelling house, synagogue, church, religious center or educational institution, public or private, or (2) to avoid giving testimony in any criminal proceeding relating to any such offense shall be fined not more than \$5,000 or imprisoned not more than five years, or both.

(b) Violations of this section may be prosecuted in the Federal judicial district in which the original crime was alleged to have been committed or in which the person was held in custody or confinement: Provided, however, That this section shall not be construed as indicating an intent on the part of Congress to prevent any State, Territory, Commonwealth, or possession of the United States of any jurisdiction over any offense over which they would have jurisdiction in the absence of such section."

SEC. 202. The analysis of chapter 49 of such title is amended by adding thereto the following:

"1074. Flight to avoid prosecution for damaging or destroying any building or other real or personal property."

SEC. 203. Chapter 39 of title 18 of the

United States Code is amended by adding at the end thereof the following new section:

"§837. Explosives: illegal use or possession: and threats or false information concerning attempts to damage or destroy real or personal property by fire or explosives.

"(a) As used in this section—

"'commerce' means commerce between any state, territory, Commonwealth, district or possession of the United States, and any place outside thereof; or between points within the same state, territory or possession or the District of Columbia, but through any place outside thereof; or within any territory or possession of the United States or the District of Columbia;

"'explosive' means gunpowders, powders used for blasting, all forms of high explosives, blasting materials, fuses (other than electric circuit breakers), detonators and other detonating agents, smokeless powders and any chemical compounds or mechanical mixture that contains any oxidizing and combustible units or other ingredients, in such proportions, quantities or packing that ignition by fire, by friction, by concussion, by percussion or by detonation of the compound or mixture or any part thereof may cause an explosion.

"(b) Whoever transports or aids and abets another in transporting in interstate or foreign commerce any explosive, with the knowledge or intent that it will be used to damage or destroy any building or other real or personal property for the purpose of interfering with its use for educational, religious, charitable, residential, business or civic objectives or of intimidating any person pursuing such objectives, shall be subject to imprisonment for not more than one year, or a fine of not more than \$1,000, or both; and if personal injury results shall be subject to imprisonment for not more than ten years or a fine of not more than \$10,000, or both; and if death results shall be subject to imprisonment for any term of years or for life, but the court may impose the death penalty if the jury so recommends.

"(c) The possession of an explosive in such a manner as to evince an intent to use or the use of, such explosive, to damage or destroy any building or other real or personal property used for educational, religious, charitable, residential, business, or civic objectives or to intimidate any person pursuing

such objectives, creates rebuttable presumptions that the explosive was transported in interstate or foreign commerce or caused to be transported in interstate or foreign commerce by the person so possessing or using it, or by a person aiding or abetting the person so possessing or using it: Provided, however, That no person may be convicted under this section unless there is evidence independent of the presumptions that this section has been violated.

"(d) Whoever, through the use of the mail, telephone, telegraph, or other instrument of commerce, willfully imparts or conveys, or causes to be imparted or conveyed, any threat, or false information knowing the same to be false, concerning an attempt or alleged attempt being made, or to be made, to damage or destroy any building or other real or personal property for the purpose of interfering with its use for educational, religious, charitable, residential, business, or civic objectives, or of intimidating any person pursuing such objectives, shall be subject to imprisonment for not more than one year or a fine of not more than \$1,000, or both.

"(e) This section shall not be construed as indicating an intent on the part of Congress to occupy the field in which this section operates to the exclusion of a law of any State, Territory, Commonwealth, or possession of the United States, and no law of any State, Territory, Commonwealth, or possession of the United States which would be valid in the absence of the section shall be declared invalid, and no local authorities shall be deprived of any jurisdiction over any offense over which they would have jurisdiction in the absence of this section."

SEC. 204. The analysis of chapter 39 of title 18 is amended by adding thereto the following:

"837. Explosives; illegal use or possession; and threats or false information concerning attempts to damage or destroy real or personal property by fire or explosives."

## TITLE III

### Federal Election Records

SEC. 301. Every officer of election shall retain and preserve, for a period of twenty-two months from the date of any general, special, or primary election of which candi-

dates for the office of President, Vice President, Presidential elector, Member of the Senate, Member of the House of Representatives, or Resident Commissioner from the Commonwealth of Puerto Rico are voted for, all records and papers which come into his possession relating to any application, registration, payment of poll tax, or other act requisite to voting in such election, except that, when required by law, such records and papers may be delivered to another officer of election and except that, if a State or the Commonwealth of Puerto Rico designates a custodian to retain and preserve these records and papers at a specified place, then such records and papers may be deposited with such custodian, and the duty to retain and preserve any record or paper so deposited shall devolve upon such custodian. Any officer of election or custodian who willfully fails to comply with this section shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

SEC. 302. Any person, whether or not an officer of election or custodian, who willfully steals, destroys, conceals, mutilates, or alters any record or paper required by section 301 to be retained and preserved shall be fined not more than \$1,000 or imprisoned not more than one year, or both.

SEC. 303. Any record or paper required by section 301 to be retained and preserved shall, upon demand in writing by the Attorney General or his representative directed to the person having custody, possession, or control of such record or paper, be made available for inspection, reproduction, and copying at the principal office of such custodian by the Attorney General or his representative. This demand shall contain a statement of the basis and the purpose therefor.

SEC. 304. Unless otherwise ordered by a court of the United States, neither the Attorney General nor any employee of the Department of Justice, nor any other representative of the Attorney General, shall disclose any record or paper produced pursuant to this title, or any reproduction or copy, except to Congress and any committee thereof, governmental agencies, and in the presentation of any case or proceeding before any court or grand jury.

SEC. 305. The United States District Court for the district in which a demand is

made pursuant to section 303, or in which a record or paper so demanded is located, shall have jurisdiction by appropriate process to compel the production of such record or paper.

SEC. 306. As used in this title, the term "officer of election" means any person who, under color of any Federal, State, Commonwealth, or local law, statute, ordinance, regulation, authority, custom, or usage performs or is authorized to perform any function, duty, or task in connection with any application, registration, payment of poll tax, or other act requisite to voting in any general, special, or primary election at which votes are cast for candidates for the office of President, Vice President, Presidential Elector, Member of the Senate, Member of the House of Representatives, or Resident Commissioner from the Commonwealth of Puerto Rico.

#### TITLE IV

##### Extension of Powers of the Civil Rights Commission

SEC. 401. Section 105 of the Civil Rights Act of 1957 (42 U.S.C. Supp. V 1975d) (71 Stat. 635) is amended by adding the following new subsection at the end thereof:

"(h) Without limiting the generality of the foregoing, each member of the Commission shall have the power and authority to administer oaths or take statements of witnesses under affirmation."

#### TITLE V

##### Education of Children of Members of Armed Forces

SEC. 501. (a) Subsection (a) of section 6 of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), as amended, relating to arrangements for the provision of free public education for children residing on Federal property where local educational agencies are unable to provide such education, is amended by inserting after the first sentence the following new sentence: "Such arrangements to provide free public education may also be made for children of members of the Armed Forces on active duty, if the schools in which free public education is usually provided for such children are made unavailable to them as a result of official ac-

tion by State or local governmental authority and it is the judgment of the Commissioner, after he has consulted with the appropriate State educational agency, that no local educational agency is able to provide suitable free public education for such children."

(b) (1) the first sentence of subsection (d) of such section 6 is amended by adding before the period at the end thereof: "or, in the case of children to whom the second sentence of subsection (a) applies, with the head of any Federal department or agency having jurisdiction over the parents of some or all of such children."

(2) The second sentence of such subsection (d) is amended by striking out "Arrangements" and inserting in lieu thereof "Except where the Commissioner makes arrangements pursuant to the second sentence of subsection (a), arrangements."

SEC. 502. Section 10 of the Act of Sept. 23, 1950 (Public Law 815, Eighty-first Congress), as amended, relating to arrangements for facilities for the provision of free public education for children residing on Federal property where local educational agencies are unable to provide such education, is amended by inserting after the first sentence the following new sentence: "Such arrangements may also be made to provide, on a temporary basis, minimum school facilities for children of members of the Armed Forces on active duty, if the schools in which free public education is usually provided for such children are made unavailable to them as a result of official action by State or local governmental authority and it is the judgment of the Commissioner, after he has consulted with the appropriate State educational agency, that no local educational agency is able to provide suitable free public education for such children."

## TITLE VI

SEC. 601. That section 2004 of the Revised Statutes (42 U.S.C. 1971), as amended by section 131 of the Civil Rights Act of 1957 (71 Stat. 637), is amended as follows:

(a) Add the following as subsection (e) and designate the present subsection (e) as subsection "(f)":

"In any proceeding instituted pursuant to subsection (c) in the event the court finds

that any person has been deprived on account of race or color of any right or privilege secured by subsection (a), the court shall upon request of the Attorney General and after each party has been given notice and the opportunity to be heard make a finding whether such deprivation was or is pursuant to a pattern or practice. If the court finds such pattern or practice, any person of such race or color resident within the affected area shall, for one year and thereafter until the court subsequently finds that such pattern or practice has ceased, be entitled, upon his application therefor, to an order declaring him qualified to vote, upon proof that at any election or elections (1) he is qualified under State law to vote, and (2) he has since such finding by the court been (a) deprived of or denied under color of law the opportunity to register to vote or otherwise to qualify to vote, or (b) found not qualified to vote by any person acting under color of law. Such order shall be effective as to any election held within the longest period for which such applicant could have been registered or otherwise qualified under State law at which the applicant's qualifications would under State law entitle him to vote.

"Notwithstanding any inconsistent provision of state law or the action of any state officer or court, an applicant so declared qualified to vote shall be permitted to vote in any such election. The Attorney General shall cause to be transmitted certified copies of such order to the appropriate election officers. The refusal by any such officer with notice of such order to permit any person so declared qualified to vote to vote at an appropriate election shall constitute contempt of court.

"An application for an order pursuant to this subsection shall be heard within ten days, and the execution of any order disposing of such application shall not be stayed if the effect of such stay would be to delay the effectiveness of the order beyond the date of any election at which the applicant would otherwise be enabled to vote.

"The court may appoint one or more persons who are qualified voters in the judicial district, to be known as voting referees, who shall subscribe to the oath of office required by Revised Statutes, section 1757; (5 U.S.C. 16) to serve for such period as the court shall



determine, to receive such applications and to take evidence and report to the court findings as to whether or not at any election or elections (1) any such applicant is qualified under State law to vote, and (2) he has since the finding by the court heretofore specified been (a) deprived of or denied under color of law the opportunity to register to vote or otherwise to qualify to vote, or (b) found not qualified to vote by any person acting under color of law. In a proceeding before a voting referee, the applicant shall be heard *ex parte* at such times and places as the court shall direct. His statement under oath shall be *prima facie* evidence as to his age, residence, and his prior efforts to register or otherwise qualify to vote. Where proof of literacy or an understanding of other subjects is required by valid provisions of State law, the answer of the applicant, if written, shall be included in such report to the court; if oral, it shall be taken down stenographically and a transcription included in such report to the court.

"Upon receipt of such report, the court shall cause the Attorney General to transmit a copy thereof to the State attorney general and to each party to such proceeding together with an order to show cause within ten days, or such shorter time as the court may fix, why an order of the court should not be entered in accordance with such report. Upon the expiration of such period, such order shall be entered unless prior to that time there has been filed with the court and served upon all parties a statement of exceptions to such report. Exceptions as to matters of fact shall be considered only if supported by a duly verified copy of a public record or by affidavit of persons having personal knowledge of such facts or by statements or matters contained in such report; those relating to matters of law shall be supported by an appropriate memorandum of law. The issues of fact and law raised by such exceptions shall be determined by the court or, if the due and speedy administration of justice requires, they may be referred to the voting referee to determine in accordance with procedures prescribed by the court. A hearing as to an issue of fact shall be held only in the event that the proof in support of the exception disclose the existence of a genuine issue of material fact. The applicant's

literacy and understanding of other subjects shall be determined solely on the basis of answers included in the report of the voting referee.

"The court, or at its direction the voting referee, shall issue to each applicant so declared qualified a certificate identifying the holder thereof as a person so qualified.

"Any voting referee appointed by the court pursuant to this subsection shall to the extent not inconsistent herewith have all the powers conferred upon a master by rule 53 (c) of the Federal Rules of Civil Procedure. The compensation to be allowed to any persons appointed by the court pursuant to this subsection shall be fixed by the court and shall be payable by the United States.

"Applications pursuant to this subsection shall be determined expeditiously. In the case of any application filed twenty or more days prior to an election which is undetermined by the time of such election, the court shall issue an order authorizing the applicant to vote provisionally. Provided, however, that such applicant shall be qualified to vote under state law. In the case of an application filed within twenty days prior to an election, the court, in its discretion, may make such an order. In either case the order shall make appropriate provision for the impounding of the applicant's ballot pending determination of the application. The court may take any other action, and may authorize such referee or such other person as it may designate to take any other action, appropriate or necessary to carry out the provisions of this subsection and to enforce its decrees. This subsection shall in no way be construed as a limitation upon the existing powers of the court.

"When used in the subsection, the word 'vote' includes all action necessary to make a vote effective including, but not limited to, registration or other action required by State law prerequisite to voting, casting a ballot, and having such ballot counted and included in the appropriate totals of votes cast with respect to candidates for public office and propositions for which votes are received in an election; the words 'affected area' shall mean any subdivision of the State in which the laws of the State relating to voting are or have been to any extent administered by a person found in the proceeding to have

violated subsection (a); and the words 'qualified under State law' shall mean qualified according to the laws, customs, or usages of the State, and shall not, in any event, imply qualifications more stringent than those used by the persons found in the proceeding to have violated subsection (a) in qualifying persons other than those of the race or color against which the pattern or practice of discrimination was found to exist."

(b) Add the following sentence at the end of subsection (c):

"Whenever, in a proceeding instituted under this subsection any official of a State or subdivision thereof is alleged to have committed any act or practice constituting a

deprivation of any right or privilege secured by subsection (a), the act or practice shall also be deemed that of the State and the State may be joined as a party defendant and, if, prior to the institution of such proceeding, such official has resigned or has been relieved of his office and no successor has assumed such office, the proceeding may be instituted against the State."

## TITLE VII

### Separability

SEC. 701. If any provision of this Act is held invalid, the remainder of this Act shall not be affected thereby.

(continued from p. 46)

Orthodoxy, Roman Catholicism and Protestantism. In the concluding section, Dr. Fagley "summarizes the work of the World Council of Churches and related organizations" and urges a constructive approach to this universal problem. A.Z.R.

## TIBET: TODAY AND TOMORROW.

By TIEH-TSENG LI. (New York: Bookman Associates, Inc., 1960. 324 pages, appendix, bibliography and index, \$6.00.)

In March, 1959, the Tibetans unsuccessfully resisted the rulers in Peiping; the Communists now seek to remold Tibet's traditional theocratic social and political system. Recent Chinese activities along India's northern frontier have dramatically shown the strategic significance of that land-locked, long isolated area.

Dr. Li, in a revised edition of an earlier study of Tibet, has traced the history and politics of the area with care, objectivity and sensitivity. The nuances of Tibetan politics are well developed. The five principal chapters deal with Tibetan "Foreign Relations up to the Thirteenth Century," "Tibet as a Vassal State," "The Establishment of Chinese Sovereignty in Tibet," "Tibet as a Buffer State," and "Tibet Under the Republican Regime." The book is informative and will serve as a valuable source of knowledge for interested students. A.Z.R.

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QUAKERS AND THE ATLANTIC CULTURE. BY FREDERICK B. TOLLES. (New York: The Macmillan Company, 1960. 160 pages, notes and index, \$3.95.)

This is the story of the Society of Friends and how it developed from George Fox's original vision on Pendle Hill in 1652. Its itinerant ministry devotedly spread its doctrine of the Inner Light throughout the world. However, it was in North America that Quakerism "flowered." It flowered there, asserts Tolles, because it was not only an outgrowth of Puritanism but also "... in a real sense the fulfillment of it." Thus, "Public Friends," traveling to "every corner of the Atlantic World," helped to cement an Anglo-American community.

The author delves into the history of the Society of Friends, its development in the seventeenth century both in England and the United States, and the impact of Quakerism upon the thought and culture of the United States.

Tolles describes the transformation of Quaker quietism into an ever-increasing concern and responsibility for the issues of the day.

This book does much to explain the rise of Quaker influence and prestige. It gives the general reader a greater understanding of a small group of dedicated people, who, are heeded when they "speak truth to power" according to their Inner Light.

# The Month In Review

## INTERNATIONAL

### Berlin Crisis (See *Summit Conference and Germany, East.*)

#### Disarmament

May 3—The U.S.S.R. accepts a Western proposal to carry out experimental nuclear explosions under the aegis of the East-West research program on methods of detecting blasts.

May 7—Seventy nations receive copies of an agreement proposed by the International Atomic Energy Agency to prevent diversion of nuclear fuels from peaceful to military uses.

The White House reveals that the U.S. plans to carry out some underground nuclear tests to improve detection methods.

May 11—President Eisenhower says that the U.S. is not planning to resume nuclear weapons testing, correcting a mistaken impression from the report of May 7 on underground nuclear tests.

May 12—The U.S. suggests that the disarmament control system be made fully operational within six years after a nuclear weapons test ban becomes effective.

May 27—The three-power conference on a nuclear test ban resumes negotiations for the first time since the Paris summit talks.

May 31—Russian experts oppose seven of the twelve nuclear explosions projected by the U.S. in its plans to study methods of underground nuclear test detection.

### European Economic Community (Common Market)

May 11—The six Common market leaders suggest discussions with the Outer Seven group within the framework of the 18-member O.E.E.C.

May 13—Cabinet ministers of the six Common Market nations agree to speed internal tariff establishment and to reduce common external tariffs. A letter suggesting a conference is sent to the Outer Seven group.

### European Free Trade Association (Outer Seven)

May 3—The treaty setting up the seven-member European Free Trade Association

is activated. The seven members are Austria, Britain, Denmark, Norway, Portugal, Sweden and Switzerland.

May 17—The U.S. tells the members of the General Agreement on Tariffs and Trade (Gatt) that the Outer Seven trade agreement "deserves the support and approval" of Gatt, although the U.S. believes that the Outer Seven agreement does not fully conform to Gatt rules.

### General Agreement on Tariffs and Trade

May 31—A U.S. proposal to study the problem posed by sudden flooding of the market with goods from low cost areas is adopted by the 42 members of Gatt, at its sixteenth session at Geneva.

### Nato

May 1—The Western Big Three foreign ministers agree on basic summit policies in a meeting held before the Nato pre-summit meeting.

May 2—The annual spring meeting of Nato foreign ministers opens in Istanbul.

May 4—The Nato meetings end in full agreement with the stand taken by the Big Three on the problems of German reunification, disarmament and the necessity for an Atlantic alliance.

### Seato

May 25—Military advisors of the Southeast Asia Treaty Organization open meetings in Washington; the U.S. pledges to meet its treaty commitments in Southeast Asia.

May 31—U.S. Vice-President Richard Nixon welcomes delegates to the sixth Ministerial Council of Seato.

### Summit Conference

May 9—British Prime Minister Harold Macmillan receives a note from Soviet Premier Nikita Khrushchev that expresses optimism about a summit conference, according to authoritative sources in London.

May 14—Khrushchev arrives in Paris for the summit meetings.

May 15—Macmillan and U.S. President Dwight D. Eisenhower arrive in Paris.

May 16—The Paris summit conference opens. Khrushchev attacks American

policies at the opening session, suggests postponing the conference and says Eisenhower will not be welcome in the U.S.S.R. next month. He demands American condemnation of "inadmissible provokable actions" on the part of the United States Air Force; a ban on such flights; U.S. punishment of those "directly guilty" of "deliberate violation of the Soviet Union." (See also *U.S. Foreign Policy*, May 5.)

President Eisenhower announces that aerial reconnaissance flights have been halted and "are not to be resumed."

May 17—British, French and U.S. leaders issue a communique blaming Khrushchev for the failure of the summit conference.

The conference closes when Premier Khrushchev fails to attend because of Eisenhower's refusal to apologize; Khrushchev spends the day touring the countryside.

May 18—Khrushchev threatens "devastating" blows at Allied bases used by U.S. espionage planes, in an angry press conference in Paris.

May 19—President Eisenhower arrives in Lisbon and asks the free world to "work a little harder for the great cause of peace with justice and freedom."

May 20—Macmillan reports to Commons on the failure of the summit conference; he warns that the West must prepare for "new threats and new dangers."

Eisenhower returns to Washington and warns that cold war tensions may increase.

Khrushchev announces in Berlin that the U.S.S.R. will make no move to settle the problem of West Berlin until after the U.S. elections in November.

#### United Nations

May 18—The U.S.S.R. asks the Security Council to meet to "examine the question of aggressive acts of the Air Force of the United States of America, creating a threat to universal peace." Russian Foreign Minister Andrei A. Gromyko charges that American military planes have "repeatedly encroached upon airspace of the U.S.S.R." No specific reference is made to the American U-2 reconnaissance plane shot down 1200 miles inside Russian territory on May 1. (For further information see also *Summit Conference, U.S.S.R. and U.S. Foreign Policy*.)

May 23—Speaking for the U.S.S.R.,

Gromyko charges that the U.S. committed an aggressive action in authorizing flights over Russian territory. He offers a draft resolution condemning U.S. action.

The Security Council begins discussion of Russian charges.

May 24—Henry Cabot Lodge, U.S. delegation leader, sends a letter to Secretary General Dag Hammarskjöld outlining the Russian spy system within the U.S.

Britain and France support the U.S. in the Security Council discussion of the U-2 incident.

May 25—Ecuador and Ceylon ask the U.S.S.R. not to ask for a vote condemning U.S. flights over Russia.

May 26—The U.S.S.R. charges that U.S. military espionage and sabotage policies against the U.S.S.R. will bring the world to the "brink of war."

The Security Council voting 7-4 refuses to accept the Russian draft resolution condemning U.S. flights over Russian as "acts of aggression."

May 27—The Security Council asks for a resumption of disarmament discussions.

May 28—Gromyko says that the U.S. "is acting as an enemy of peace" and that American aerial reconnaissance over Russia proves that the U.S. is preparing for aggression. Lodge replies that this is "the reverse of the truth."

May 31—The Security Council recommends unanimously that the African republic of Togo should be admitted to the United Nations.

#### AFGHANISTAN

May 12—It is reported that Soviet explorers have discovered oil in northern Afghanistan.

#### ARGENTINA

May 1—President Arturo Frondizi opens the ninety-second congress with a plea for his economic development program.

#### BELGIUM

May 16—Walter Ganshof van der Meersch, Attorney General of the Belgian Supreme Court, is named to the newly created post of Cabinet Minister in charge of maintaining order in the Belgian Congo.

#### Belgian Congo

May 7—Elections to the Chamber of Deputies are held in the lower Congo and other rural areas. The Chamber of Dep-



uties will form the basis of the first Congolese government when the Congo receives its independence June 30. Voting takes place for members of provincial assemblies also; these assemblies will select delegates to the Senate.

May 12—Governor General Henri Cornelis declares that continued tribal fighting will produce a dictatorship when independence comes.

May 13—Continuing warfare between Lulua and Baluba tribesmen flares out in Leopoldville. A state of martial law is proclaimed in the city's African sector.

May 17—It is reported that on an election tour through Stanleyville and the eastern provinces, Patrice E. Lumumba defied a ban on public meetings yesterday.

May 22—Elections to the national legislature end.

May 25—A state of emergency is proclaimed in the Maniema region of Kivu Province.

May 28—It is announced that results of the elections have not yet been determined.

May 31—Incomplete returns disclose that Patrice Lumumba, National Congolese Movement's radical branch leader, will control at least 35 seats in the 137-man Chamber of Representatives.

## BRAZIL

May 20—Brazil rejects Soviet oil, shipped to Brazil under an agreement signed in December, 1960, because of its high salt content.

## BRITISH COMMONWEALTH, THE

### Canada

May 9—It is announced in Washington that Prime Minister John Diefenbaker will visit President Eisenhower June 3.

### Ghana

May 4—A new census report published in Accra lists the total population as 6,690,730, an increase of 50 per cent since 1948.

May 25—A parliamentary delegation returns to Accra from the U.S.S.R.

### Great Britain

May 6—Princess Margaret Rose is married to Antony Armstrong-Jones.

May 11—The Commonwealth Conference postpones discussion of the possible future status of the Union of South Africa as a republic and member of the Commonwealth.

The House of Commons approves the Government's Betting and Gambling Bill. May 12—The British Trawlers Federation reveals that for the next three months Britons will respect the 12-mile territorial waters limit imposed by Iceland.

May 16—In Geneva, Britain reveals that she has given up the right to use an economic escape clause in the General Agreement on Tariffs and Trade.

May 30—Prime Minister Harold Macmillan tells Commons that Britain will continue to press for "genuine coexistence" with the U.S.S.R.

## India

May 1—It is reported in Washington that Eisenhower will sign an agreement May 4 providing for the sale of 17 million tons of surplus grain to India for \$1.3 billion. (See also *Thailand*.)

May 8—Prime Minister Jawaharlal Nehru meets President Charles de Gaulle in Paris for pre-summit talks.

May 25—Sikh leader Master Tara Singh is arrested under the Preventive Detention Act.

May 30—The External Affairs Ministry announces that five experts will go to Peking early in June to examine maps and documents concerned with the Indian-Chinese border dispute.

Unofficial figures estimate that 700 Punjab Sikhs have been arrested.

## Pakistan

May 8—Pakistani Foreign Secretary Mohammed Ikramullah says that Pakistan will protest to the U.S. if the U-2 shot down over the U.S.S.R. stopped over in Peshawar. (See also *U.S.S.R.*)

May 14—The Foreign Secretary says that no aircraft took off early in May from Peshawar in the direction of the U.S.S.R.

May 16—President of Pakistan Mohammed Ayub Khan says that Russian aircraft have been flying over Pakistan "for some time."

May 18—President Ayub protests to the U.S. against reported use of Pakistani territory for flights by the U.S. into Soviet territory.

## Union of South Africa

May 2—The House of Assembly approves the holding of a referendum later this year on the changing of the Union of South Africa from a constitutional monarchy owing allegiance to Queen Elizabeth II to a republic.

May 15—Prime Minister Hendrik Verwoerd leaves the hospital after treatment for wounds received in the course of an assassination attempt in April.

May 21—Verwoerd officially adjourns Parliament until January 20, 1961, despite considerable opposition.

#### BRITISH EMPIRE, THE

##### Cyprus

May 11—Some 1,000 marchers protest dismissal of government employees at Nicosia.

##### Federation of Rhodesia and Nyasaland

May 14—Prime Minister Roy Welensky warns African nationalists against violence and pledges "full and complete support to the efforts of Northern Rhodesia to restore law and order."

May 17—British Queen Mother Elizabeth flicks the switch that places the giant Kariba hydroelectric project into operation.

##### Kenya

May 11—The Kenya Legislative Council reveals plans for letting Africans purchase property in the formerly exclusively White Highlands.

May 27—The World Bank lends the equivalent of \$5.6 million to Kenya for the development of agriculture and roads.

##### Nigeria

May 2—Nigerian Jaja Anucha Wachuku is elected Speaker of the Federal Parliament, succeeding Sir Frederic Metcalf. Wachuku is the first Nigerian to attain this position.

May 9—The Prime Ministers' Conference in London agrees to admit the Federation of Nigeria to the Commonwealth after it attains independence October 1.

May 14—The Nigerian and Ghanaian Trade Union Congresses agree on common educational programs.

May 17—It is revealed in London that Britain agrees to lend £12 million (\$33.6 million) to Nigeria when it becomes independent on October 1.

May 19—Britain and Nigeria reveal "complete agreement" on plans for Nigerian independence October 1. The British Cameroons, which will be separated from Nigeria, will be offered a plebiscite in February, 1961. At that time the Cameroons may choose to return to Ni-

gerian administration or to join the independent Cameroon.

May 21—Prime Minister Abubakar Tafawa Balewa leaves London for Nigeria.

May 24—Queen Elizabeth II names Nigerian Sir Adesoji Aderemi as governor of the Western Region of Nigeria.

##### Sierra Leone

May 3—After a 14-day conference, Colonial Secretary Iain Macleod announces in London that Sierra Leone will become independent April 27, 1961.

##### Somaliland

May 5—Iain Macleod announces that Somaliland will receive independence by July 1, 1960.

May 12—Iain Macleod tells Commons that Somaliland independence will be granted June 26 in accord with a suggestion from the territory's ministers.

May 24—A White Paper reveals that a four-man executive council and a legislative assembly of 34 will govern British Somaliland after June 26. Prime Minister Mohamed Haji Ibrahim Egal will head the council.

#### CAMBODIA

May 5—Communist Chinese Premier Chou En-lai arrives in Cambodia on a state visit. It is announced that Cambodian forces have successfully routed South Vietnamese raiders from a border town.

May 8—Chou and Cambodian Premier Phou Proeung sign a communiqué calling for increased trade and cultural exchanges between their countries.

May 9—Chou departs from Cambodia.

May 15—It is reported that Japan will give over \$4 million in aid to Cambodia during the next two years.

#### CHILE

May 21—An earthquake strikes Chile.

May 24—Tidal waves, volcanic eruptions, landslides and continued earthquakes ravage Chile.

May 25—Three more large earthquakes and tidal waves add to Chile's disaster. The U.S. declares it will air-lift medical supplies to Chile.

#### CHINA (People's Republic of)

May 6—The Red Chinese government reports that it has irrigated 70 per cent of its farmland. *Hsinhua*, Communist Chinese news agency, reveals that 32 million acres have been irrigated since last winter.

May 7—It is disclosed by sources that the Patriotic Catholic Association has named a replacement for the jailed Bishop of Shanghai without Vatican consent.

May 19—Premier Chou En-lai blames the U.S. for the failure of the summit conference.

May 31—*Hsinhua* reports a treaty between Red China and Outer Mongolia (actually a protectorate of the Soviet Union) signed at the close of Premier Chou's 5-day visit. It is announced that Chou will lend \$50 million to the Mongolians.

## COSTA RICA

May 1—President Mario Echandi Jimenez tells the Congress that demilitarization measures are being effected; all civil guard barracks are to be reduced to police stations.

## CUBA

May 1—Premier Fidel Castro rules out elections in Cuba. In a radio-television May Day broadcast, he names his brother Raul Castro his successor if he should disappear. In the event that harm befalls Raul, President Osvaldo Dorticos and other leaders of the revolution are to name a new premier.

May 3—The Cuban government has asked the U.S. to accept ex-Premier Jose Miro Cardona as its new ambassador to the U.S.

May 4—The U.S. labor group, A.F.L.-C.I.O., at a meeting of its executive council, condemns Castro's regime as dictatorial.

May 12—An American pilot, Matthew E. Duke, is killed when his plane lands 10 miles outside of Havana. Duke was ambushed by government troops; he was charged with having helped Cuban "war criminals" escape.

May 14—The U.S. asks Cuba for an explanation of why an armed patrol boat fired upon an American submarine on May 6.

May 15—It is reported that, following the end of the sugar harvesting, the National Institute of Agrarian Reform is confiscating private sugar lands and establishing cooperatives.

Pro-Castro and anti-Castro Cubans clash in front of the New York City Cuban Consulate.

May 17—A pastoral letter issued by Msgr. Enrique Perez Serantes, Archbishop of

Santiago de Cuba, is published in Havana. The letter tells Roman Catholics to fight communism, the "enemy within our gates." The Archbishop was a close friend of Castro's, who has outlawed anti-communism in Cuba.

May 22—Cuban President Dorticos leaves on a 3-week tour of South America to gain support for the Castro government.

## CZECHOSLOVAKIA

May 18—Czechoslovakia asks for an apology from U.S. Secretary of State Christian Herter, who termed the Communists' rise to power in 1948 "forceful seizure."

## DENMARK

May 17—The Danish government announces that it will not permit unauthorized flights from air bases on its soil over countries not members of Nato.

## DOMINICAN REPUBLIC

May 4—The U.S. State Department announces that its embassy officer, Carl E. Davis, has been declared unacceptable by the Dominican government.

May 6—The U.S. announces that it has ordered the U.S. Ambassador to the Dominican Republic, Joseph S. Farland, to Washington for talks.

## FRANCE (See also *British Commonwealth, India.*)

May 1—Finance Minister Wilfrid Baumgartner tells the parliament that, for the first time in 3 years, France has a credit balance in its international trade.

May 3—France protests to the U.N. Security Council that Tunisia has permitted Algerian rebels to set up bases on Tunisian soil from which they could attack French soldiers in Algeria. No specific action is urged in the letter.

May 4—President Charles de Gaulle arrives in France after a 17-day trip through the Western Hemisphere.

May 5—Premier Michel Debré receives a vote of confidence, 551-122, on a motion of censure criticizing the de Gaulle government for violating the constitution and depriving the deputies of their prerogative. At issue was de Gaulle's refusal in March to call a special legislative session to consider the farm problem.

May 11—The National Assembly approves a constitutional amendment enabling the autonomous states of the French Over-

seas Community to become fully independent while retaining ties to France.

May 13—The government sets limits to fees charged by doctors and dentists.

May 31—President de Gaulle in a radio-television address to the nation declares that the U-2 incident did not cause the failure of the summit talks, although he terms Khrushchev's demands on the U.S. to make amends "excessive." De Gaulle urges a relaxation of the cold war, a program for controlled disarmament, and East-West cooperation for the betterment of mankind, as the necessary requisites for avoiding world catastrophe.

#### FRANCE OVERSEAS

##### Algeria

May 16—President Ferhat Abbas of the Algerian rebel government in exile sends notes to U.S. President Eisenhower and Soviet Premier Khrushchev, meeting in Geneva, on behalf of the Algerian nationalist cause.

May 18—It is announced by a French army spokesman that France shelled Algerian artillery installed on the Tunisian side of the border, when the Algerian rebels fired from Tunisian border posts.

May 27—Muslims vote in departmental elections to select general councils in each of the country's 13 departments.

May 28—French officials in Algeria give details of rebel terrorism to prevent Muslims from voting or running for office in the departmental elections that will end tomorrow.

May 30—Results of elections to the 13 general councils are announced: 298 of the 452 seats are won by supporters of French President Charles de Gaulle's program for self-determination for Algeria.

#### FRENCH OVERSEAS COMMUNITY, THE

##### Cameroon

May 9—Ahmadou Ahidjo, first elected president of the Cameroon, declares a general amnesty for political offenders.

#### GERMANY, DEMOCRATIC REPUBLIC OF (EAST)

May 14—East Germany announces that it will sign a separate peace treaty with the Soviet Union if summit talks fail. Deputy Foreign Minister Otto Winzer says that East Germany would guarantee Western entry rights to Berlin provided some agree-

ment is reached at the summit on Allied troop reductions in Berlin.

#### GERMANY, FEDERAL REPUBLIC OF (WEST)

May 3—Theodor Oberlaender, Refugee Minister, resigns from the Cabinet.

May 13—Sources report that West Germany has told Western powers it will not directly participate in negotiations with East Germany.

#### GUATEMALA

May 13—It is disclosed that Guatemala has sent a message to the Inter-American Peace Committee of the O.A.S., asking for an investigation of Cuban charges that Guatemala plans an armed attack against Cuba.

#### HONDURAS

May 18—A small group of Nicaraguan rebels are taken prisoner near the border

#### INDONESIA

May 5—President Sukarno, visiting in Morocco, issues a joint communique with King Mohammed V upholding their policies of "non-alignment."

May 6—A large student demonstration is staged before the Netherlands Chancery in Jakarta to oppose Dutch plans for increasing military strength in West New Guinea. (See also *The Netherlands*.)

May 9—Sukarno visits Cuba.

May 11—Army officials declare that major rebel activities in Sumatra and north Celebes have been wiped out, although small traces remain.

#### IRAN

May 4—It is reported that 5 Communist party members of the illegal Tudeh branch were executed earlier today. They were charged with plotting to overthrow the Shah.

May 14—The U.S.S.R., in a note to Iran warns of "consequences" that may arise if Iran permits foreign air forces to fly over Iranian air space.

#### IRAQ

May 2—In clashes between Communists and nationalists yesterday, it is reported that 12 persons were killed.

May 3—A Cabinet reorganization is announced.

#### ISRAEL

May 2—The twelfth year of Israeli independence is celebrated.



May 17—The Knesset (parliament) fails to gain enough votes to carry a no confidence motion introduced against Premier David Ben-Gurion. The extreme orthodox group, Agudat Israel, introduced the motion to protest Ben-Gurion's statement that only about 600 persons were involved in the Biblical exodus from Egypt. The Orthodox estimate is over 2 million.

May 23—Israel announces the capture of Adolf Eichmann, a leading Nazi war criminal directly involved in the liquidation of 6 million Jews during the Hitler era.

May 26—It is reported by army headquarters that a U.A.R. Mig fighter was probably shot down in an air battle over the Negev.

## ITALY

May 31—Premier Fernando Tambroni tells the Chamber of Deputies that the gross national product increased 6.6 per cent during 1959.

## JAPAN

May 18—Japan signs a fishing agreement with the Soviet Union; Japan accepts a 57,000-ton limit on salmon catches and gains fishing rights in restricted areas.

May 20—The Japanese House of Representatives approves the mutual security pact with the U.S. signed in Washington on January 19, 1960.

May 21—Socialist members in both houses of the parliament adopt a resolution asking for the resignation of Premier Nobusuke Kishi and his Cabinet.

The Soviet Union, in a note to Japan, warns against the use of Japanese bases for U.S. air flights over the Soviet Union.

May 23—Police quell 1500 student rioters, before Kishi's residence, demonstrating opposition to the security pact with the U.S.

May 24—Tidal waves created by the Chilean earthquake strike Japan.

Ambassador to Japan Douglas MacArthur 2d rejects a suggestion that President Eisenhower postpone his trip to Japan, planned for June 19.

May 27—Premier Nobusuke Kishi and 4 Cabinet members agree to reaffirm their readiness to welcome President Eisenhower to Japan next month. The Japanese Foreign Office is ordered to convey their belief that President Eisenhower should make the trip as scheduled.

## JORDAN

May 16—King Hussein arrives in Jordan, ending his tour of Iran, Turkey, Morocco, Spain, Guinea, Nigeria and Ethiopia.

## KOREA, SOUTH

May 3—The National Assembly accepts Syngman Rhee's resignation from the presidency. The Assembly votes to establish a commission to draw up a constitutional amendment depriving the presidency of its powers, and placing them in a Cabinet responsible to the parliament.

May 4—At a meeting of the Combined Economic Board, Korean and American representatives agree to set up a body to oversee U.S. aid to Korea, as part of an effort to eliminate waste and graft from the program.

May 23—Acting President Huh Chung names Lieutenant General Choi Yung Hi army chief of staff. He succeeds resigning Lieutenant General Song Yo Chan.

May 29—Ex-President Syngman Rhee and his wife arrive in Honolulu.

## LAOS

May 3—In the first round of elections for the National Assembly, pro-government candidates take 53 of the 59 seats.

May 9—In the second round of elections for the remaining Assembly seats, incomplete returns give the pro-government candidates 57 seats. Two seats are not decided.

May 24—Prince Souphanouvong, leader of the Communist-supported Pathet Lao, escapes from prison.

May 30—The caretaker government of Kou Abhay resigns to make way for the newly elected regime.

May 31—King Sisavang Vathana asks Tiao Somsanith to form a new government.

## LEBANON

May 4—Parliament is dissolved in preparation for the new elections in June.

May 14—Premier Rashid Karami and his Cabinet resign. A caretaker government under Ahmed Daouk is installed until the parliamentary elections.

## MEXICO

May 6—Jacques Mornard, the alias used by the man who assassinated Leon Trotsky in his exile in Mexico twenty years ago, is deported to Cuba shortly prior to the date for his release from prison.

## MOROCCO

May 20—Premier Abdullah Ibrahim and

his Cabinet are dismissed by King Mohammed V.

May 21—King Mohammed, according to Palace reports, has asked party leaders to lend him their support; he is seeking to establish a "Government of National Union around the Throne."

May 23—King Mohammed announces that he will take charge of administrative rule. His son, Crown Prince Moulay Hassan, is named premier; the King will rule through the "intermediary" of the prince.

May 26—King Mohammed installs his new Cabinet, with the Crown Prince as Deputy Premier.

May 29—In Morocco's first country-wide elections, voters ballot for 10,000 communal and municipal councilors.

#### NEPAL

May 19—It is reported that a Soviet Chinese mountaineering expedition has successfully scaled Mount Everest on its "considered insurmountable" northern slope route.

#### NETHERLANDS, THE

May 10—A resolution in the lower house urging the government to abandon its plan to send military reinforcements to West New Guinea is defeated.

#### NORWAY

May 13—Norway protests to the U.S. because of U.S. plans for a U-2 landing at a Norway air base after completion of a reconnaissance mission over the U.S.S.R. on May 1. The plane was shot down by a Soviet rocket. Norway also receives a note 6 hours later from the Soviet Union charging it with being implicated in the flight of the U-2 over the Soviet Union.

#### PANAMA

May 8—Elections to the presidency and the unicameral 53-member National Assembly are held.

May 21—Completed returns show that Roberto F. Chiari, Liberal party candidate, has won the presidency with a total of over 100,000 votes.

#### PORTUGAL

May 19—President Dwight Eisenhower of the U.S., visiting Portugal, exchanges gifts with President Americo Tomas.

#### SWITZERLAND

May 11—The government orders the removal of two Russian diplomats from the Soviet delegation to Bern, who have been

seized by Swiss police for espionage crimes.

May 14—The Soviet Union charges that Switzerland's action is a "provocation."

#### THAILAND

May 12—The resignation of Foreign Minister Thanat Khoman is announced. It is reported that he has resigned to protest the sale of U.S. rice to India, which, the Thais charge, caused a drop in the price of Thai rice. The Thai Cabinet agrees to send a note to Washington protesting the U.S.-Indian rice pact.

#### TURKEY

May 1—Premier Adnan Menderes, in a radio broadcast, announces his firm determination to halt all uprisings. Martial law was imposed last week in Ankara and Istanbul following student riots.

May 2—Turkish troops disperse 2,000 rioters in Istanbul, agitating in front of the hall where Nato leaders are conferring.

May 5—Premier Menderes is booed by student demonstrators.

May 6—Ex-President Ismet Inonu, head of the opposition People's Republican party, declares that the Turkish people are protesting Menderes' "repressive measures."

May 14—A mob of 5,000 persons, attacking an Ankara radio station, is broken up by police and military interference.

May 22—The Council of Ministers announces the closing of all colleges and universities until July 28, the date for the termination of martial law in Ankara and Istanbul.

Martial law restrictions are increased in severity in Ankara.

May 25—Deputies in the Grand National Assembly battle with one another when debate on an election reform law becomes violent.

May 27—Lieutenant General Cemal Gursel heads a group of high-ranking military leaders who seize control of the government and oust Premier Menderes. Gursel and his colleagues establish a military junta—the Turkish National Union Committee—to organize free, fair elections.

May 29—It is reported that former leaders of the Turkish government have been imprisoned.

U.S.S.R., THE (See also *International, Summit Conference*, and *U.S. Foreign Policy*.)

May 1—The Soviet Union celebrates May

- Day with a parade of military arms in Red Square.
- May 3—The Soviet Union announces that Cyrus S. Eaton, Cleveland industrialist, has been named recipient of the Lenin Peace Prize.
- May 4—Soviet governmental changes are announced: Frol R. Kozlov, formerly a first deputy premier, is appointed a secretary of the Central Committee of the Communist party; Aleksei N. Kosygin succeeds Kozlov as a first deputy premier. Aleksei I. Kirichenko and Nikolai I. Bel'yayev are removed from the Presidium; 3 new members are announced. Other changes are also made.
- May 5—Premier Khrushchev tells the opening session of the Supreme Soviet that the U.S.S.R. successfully shot down a U.S. plane flying over Soviet soil on May 1. He expresses little hope for the success of the Summit talks later this month. Khrushchev rejects a U.S. suggestion by President Eisenhower that the talks be limited to a week and that Vice-President Nixon be allowed to sit in for him if the talks exceed the time limit.
- Premier Khrushchev's statements last night at a Czech embassy reception are announced: the Premier has made Soviet rocketry development a separate branch of the military. Mitrofan Ivanovich Nedelin is named Marshal of Rocketry.
- Khrushchev presents his economic reforms to the Supreme Soviet: personal income taxes will be abolished by 1965; the ruble will be re-evaluated. He promises an increase in consumer goods at the end of his seven year plan in 1965.
- May 6—Soviet leaders declare that one rocket, fired by order of Khrushchev, brought down the U.S. plane on May 1.
- May 7—The Chairman of the Presidium of the Supreme Soviet of the Soviet Union (the titular chief of state), Kliment Y. Voroshilov, resigns for health reasons; Leonid I. Brezhnev succeeds to the post.
- May 9—Khrushchev warns that he will employ rocketry attack against bases in foreign countries permitting U.S. flights over Soviet air space.
- May 10—It is announced that the pilot of the downed American U-2, Francis Gary Powers, will be brought to trial. The U.S. requests an interview with Powers.
- May 11—An exhibition of the wreckage from the downed U-2 is shown to correspondents and diplomats in Moscow.
- May 12—A transcript of Premier Khrushchev's conference with 500 newsmen viewing the U-2's wreckage is released to the public: the Premier has warned that continued flights would lead to war.
- The U.S., in a note to the Soviet Union, declares that flights over the U.S.S.R. were not aggressive but "defensive."
- May 13—Air Force Chief Konstantin A. Vershinin, the U.S. Pentagon announces, has called off his projected visit to the U.S.
- May 15—A 10,000 pound satellite is put into orbit. The vessel includes a cabin with a "dummy space man," outfitted for a trip through space.
- May 16—In a note to the U.S., the Soviet Union declares that the U.S. is responsible for restoring friendly relations.
- May 20—*Tass*, official Soviet news agency, announces that the pressurized cabin carrying a dummy space man has been ejected from the space satellite. The cabin goes into orbit around the earth.
- May 21—Khrushchev returns from Paris; he makes no report on the failure of the conference upon his arrival.
- May 24—The Soviet Union agrees to release a U.S. C-47 Air Force plane with 9 Americans aboard; the plane made a forced landing on May 20 in East Germany. The plane was flying from Copenhagen to Hamburg when it flew off course.
- May 25—It is made public that the U.S. meteorological satellite launched April 1, Tiros I, has been taking pictures of Soviet cloud formations. This satellite has two television cameras which take pictures of the earth's "cloud cover."
- May 26—Foreign Minister Andrei Gromyko tells the U.N. Security Council that continued U.S. "military espionage" activities would cause a world war. The Security Council, 7-4, votes against the Soviet resolution condemning the flight of the U-2 as "aggressive."
- May 28—Premier Khrushchev delivers a two and one-half hour speech that is broadcast over radio and television. He tells the Soviet people that he feels President Eisenhower really seeks peace but that he is more interested in his golf than in his responsibilities. He also declares that he thinks Eisenhower did not know about the U-2 flights.

May 30—Defense Minister Rodion Y. Malinovsky announces that Soviet rockets have been ordered to fire on any foreign base if an Allied plane takes off for a flight over the U.S.S.R.

May 31—Boris Pasternak, Russian poet and author of *Doctor Zhivago*, who won the 1958 Nobel Prize for Literature, dies at the age of 70. He has been ill since the beginning of the month; he had a heart ailment and lung cancer.

#### UNITED ARAB REPUBLIC

May 2—Two Syrian Cabinet members in the U.A.R.'s central government resign.

May 11—The U.A.R., at a session of the U.N. Narcotics Commission, approves a resolution establishing regional conferences on controlling narcotics in the Middle East, i.e., to cooperate with Israel in halting the narcotics trade.

May 24—The government places 4 leading, private Cairo newspaper and magazine publications under the direction of the National Union.

#### UNITED STATES

##### Agriculture

May 5—Ezra Taft Benson, Secretary of Agriculture, tells individual warehouses that they will receive new, uniform grain storage contracts; new rates are to save taxpayers an estimated \$100 million annually.

May 11—Benson acts to extend the federal wheat program to the 1961 crop; the exact parity rate has not yet been announced.

May 12—The General Accounting Office reveals that commercial warehouses have made profits ranging from 12 to 265 per cent on storing government-owned grain.

May 14—Head of the Agriculture Department's grain storage division Raymond J. Pollack reveals his resignation but denies that his action was influenced by a Senate investigation of grain storage costs.

##### Civil Rights

May 6—President Eisenhower signs the Civil Rights Act. (For the text of this act, see page 47ff. of this issue.)

May 9—Attorney General William P. Rogers asks to see election records in McCormick, South Carolina; East Carroll Parish, Louisiana; Webster, Georgia; Wilcox, Alabama. No Negroes are registered for voting in these counties.

##### The Economy

May 6—The Senate votes 45 to 32 to ap-

prove a \$251 million bill to relieve unemployment in areas suffering chronic depression.

May 11—President Eisenhower makes public figures on the gross national product revealing that in the first quarter of 1960 the annual rate of production of goods and services passed the one-half trillion dollar mark.

May 25—The Consumer Price Index reaches 126.2, almost two per cent higher than it was a year ago.

##### Foreign Policy

May 5—Explaining the Russian charge that an American "invader" was shot down over Russian territory May 1, the State Department says that a weather-observation plane flown by an American civilian went astray. (See also *U.S.S.R.*, May 5.)

May 6—The State Department promises to act to stop blacklisting of U.S. ships by Arab states and in return the Seafarers International Union ends its four-week-old picketing of the United Arab Republic vessel *Cleopatra*.

May 7—The U.S. admits that the American plane shot down 1200 miles inside the U.S.S.R. May 1 was equipped for intelligence missions; it is denied that Washington authorities commissioned the flight. Khrushchev says the American pilot has confessed that he is a spy. (See also *International, Summit Conference and British Commonwealth, Pakistan*.)

May 9—Secretary of State Christian Herter says that intelligence-gathering flights are to continue.

May 10—The U.S. pledges that its allies will be defended if the U.S.S.R. attacks their bases with missiles because of U.S. use of the bases. (See also *U.S.S.R.*, May 9.)

May 12—Congress approves a foreign aid authorization of \$1.3662 billion in new spending. The over-all authorization is now \$4,086,300,000, of which \$2,720,100,000 was authorized in the last session of Congress.

May 16—Eisenhower signs the foreign aid authorization bill.

May 17—The Summit talks close; Soviet Premier Khrushchev does not attend because of President Eisenhower's refusal to apologize for U-2 flights over the U.S.S.R.

May 20—The East German radio reveals that a U.S. military transport plane lost



on a flight from Copenhagen to Hamburg made a forced landing in East Germany.  
 May 21—The U.S. asks the U.S.S.R. to see that the Americans forced down in Germany are freed at once. (See *U.S.S.R.*, May 24.)

May 25—President Eisenhower tells the American people that "we must continue businesslike dealings with the Soviet leaders."

May 26—The Senate refuses to ratify an international agreement giving jurisdiction of disputes under the recent law-of-the-sea convention to the World Court.

May 27—Herter indicates that the Administration had not re-examined air reconnaissance policies before the summit conference.

May 30—The U.S. recognizes the new regime in Turkey. (See also *Turkey*.)

British and French diplomats confer with U.S. officials before attending the Seato meetings in Washington. (See also *International, Seato*.)

May 31—Arkansas Democrat J. W. Fulbright, chairman of the Senate Foreign Relations Committee, says that the Central Intelligence Agency is not responsible for "questionable decisions" on the part of the Administration in the U-2 espionage case.

The White House releases plans for Eisenhower's Far Eastern trip to Japan, Korea, the Philippines, Taiwan, Alaska and Hawaii. The President will leave June 12, and will travel some 22,795 miles in a two-week period.

#### Government

May 2—Thomas J. Donegan and Paul A. Sweeney are named to the Federal Power Commission.

May 4—The Administration's "Medicare Program for the Aged" is offered to Congress; it calls for annual federal and state expenses of \$1.2 billion for medical insurance for persons over 65 years of age.

May 13—The President vetoes a bill authorizing federal loans and grants for depressed areas.

May 18—The Secretary of Health, Education and Welfare asks Dr. Henry Welch to resign at once as head of the Antibiotics Division of the Food and Drug Administration after learning that he has been paid \$287,142 since 1953 for outside activities on drug publications.

May 20—The Federal Communications Commission reveals a new policy; close supervision of all radio and television programs will be undertaken on a regular, continuing basis.

May 24—The Senate upholds the President's veto of the aid to depressed areas bill.

The House Special Subcommittee on Legislative Oversight ends its investigation of the Federal Power Commission.

#### Labor

May 12—New appointments are made to the board of monitors of the Teamsters Union.

May 13—President of the Carpenters Union Maurice Hutcheson is sentenced to six months in jail and fined \$500 on a charge of contempt of Congress.

May 19—The top-level union-management conference on industrial tensions opens meetings in Washington; after three hours of discussion, the conference adjourns for six to eight weeks.

May 30—Jacob Potofsky, president of the Amalgamated Clothing Workers of America, at a biennial convention, warns that the union may boycott Japanese fabrics and finished garments, to avoid "committing economic suicide."

#### Military Policy

May 10—The U.S.S. Triton, world's largest nuclear-powered submarine, returns after a trip around the world. The Triton travelled 41,500 miles in 84 days.

May 12—An Air Force Atlas fails.

May 13—The National Aeronautics and Space Administration tries without success to launch into orbit a 100-foot balloon communication satellite.

May 16—Loren K. Olsen is named to the Atomic Energy Commission, replacing John F. Floberg. John H. Williams also resigns from the A.E.C.

May 20—The Air Force fires an Atlas ICBM 9,000 miles from Cape Canaveral, Florida, to the Indian Ocean.

May 24—A 5,000-mile missile-detecting satellite, named Midas (Missile Defense Alarm System), is launched into orbit.

May 26—The Air Force announces that the ground-to-orbit radio links with the Midas missile-detecting satellite are not functioning properly.

May 31—It is announced that Tiros I has responded to a ground signal and speeded up its spin.

### Politics

May 3—According to incomplete returns, in the Indiana primary elections Vice-President Richard Nixon receives 401,125 votes and Massachusetts Senator John Kennedy receives 351,297 votes.

May 10—Kennedy beats Minnesota Senator Hubert H. Humphrey three to one in West Virginia's Democratic presidential primary; Humphrey withdraws as a possible presidential candidate.

Kennedy shows impressive support in the Nebraska primary.

May 17—Kennedy wins by a wide margin in the Maryland Democratic primary election, polling some 70 per cent of the vote.

May 21—Kennedy wins in the Oregon primary, defeating Wayne Morse, who announces that he will not contest the Democratic nomination.

May 24—Nixon is revealed as the choice of the Tennessee Republican state convention and of 26 delegates in the Florida primary; his unofficial total of votes at the coming Republican National Convention is 675-700; he needs 666 for the nomination.

Florida Governor LeRoy Collins is named permanent chairman of the Democratic National Convention; Idaho Senator Frank Church is temporary chairman and keynote speaker.

May 25—New York Governor Nelson Rockefeller says he will accept a draft for the Republican presidential candidacy.

May 30—The Socialist political convention of 1960 ends; no presidential candidate is selected.

May 31—House Republican leader Charles A. Halleck of Indiana is slated to be permanent chairman of the Republican National Convention. Republican National Chairman Thruston B. Morton reveals he will support Halleck for the post.

### Segregation

May 10—Six department and variety stores in Nashville, Tennessee, desegregate lunch counters.

May 16—A federal district court orders New Orleans, Louisiana, schools to begin desegregation in September, 1960, at the latest.

May 17—The U.S. Department of Justice sues Biloxi, Mississippi, in an effort to force desegregation of beach facilities, be-

cause federal aid was used between 1951 and 1953 to reconstruct the beach.

May 26—In Texas, the Dallas School Board suggests a plan offering either segregated or integrated classes at the option of parents and pupils.

### Supreme Court

May 8—Arizona is awarded clear title to Colorado River waters by a special master appointed by the Supreme Court to adjudicate a long-term feud between Arizona and California.

May 23—The Court reveals that it will review the 10-year old government suit against E. I. du Pont de Nemours and Company for anti-trust activities because of du Pont ownership of General Motors stock.

May 31—The Supreme Court rules 6 to 1, under the Submerged Lands Act of 1953, that Texas and Florida own the oil and other undersea resources 10.5 statute miles from shore into the Gulf of Mexico. Offshore rights of Louisiana, Alabama and Mississippi are limited to 3.5 miles. All other resources beyond these boundaries go to the federal government.

The Supreme Court agrees to hear arguments next term on the admissibility of evidence obtained by slipping an eavesdropping device through the walls of a house.

### VATICAN, THE

May 17—An editorial in *L'Observatore Romano*, Vatican newspaper (in front-page space usually reserved for semi-official pronouncements), referring to the Italian political scene, declares that Roman Catholic ecclesiastics must guide "the entire existence of man," including that in the political sphere.

### VENEZUELA

May 21—The government announces that the period of economic austerity has ended. A new economic development program is announced.

### YUGOSLAVIA

May 5—The U.S. Development Loan Fund agrees to a \$14,800,000 loan for purchasing 59 U.S. locomotives.

May 23—The Soviet publication, *Kommunist*, publishes an article criticizing Marshal Tito for siding with the U.S. on several international issues.

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